JULY 30TH 2024 - MEETING SUMMARY

Building Emissions Performance Standard (BEPS) Technical Rulemaking Working Group

Zoom Call 12-2pm

Present: Alistair Jackson, Anita Jeerage, Caroline Traube, Gabriella Henkels, Ian Brown, Joe Malaspino, Luke Howard, Madeline Kostic, Mark DiPaolo, Mel Knox, Nina Olivier, Rebecca Becker, Srini Pendikatla, Steve Abercrombie.

Regrets: Evan Cobb, Austin Miller.

City of Seattle BEPS and Facilitation Staff: Gemma Holt and Nicole Ballinger (OSE), Anna Kelly, Catherine Ozols, Santiago Rodriguez-Anderson and Faith DeBolt (SBW), Kirstin Pulles and Sepideh Rezania (Unrooz)

Additional City of Seattle Staff (Observing): Mike Roos (OSE) and Rebecca Baker (OSE)

Meeting slides are posted at:
https://www.seattle.gov/environment/climate-change/buildings-and-energy/building-emissions-performance-standard/beps-rulemaking

Agenda:

Topic	Time
Welcome + Introductions • Quick Recap of Meeting #1	10 mins
Introduction to compliance with multiple buildings • OSE reviewed definitions of building portfolios, district campuses, and connected buildings • OSE reviewed process for calculating aggregate portfolio emissions	15 mins
Breakout groups • Private building portfolios • Connected buildings and campuses	30 mins
Break	5 mins
Discussion: Application process for compliance with multiple buildings	40 mins
Discussion: Proposed application & reporting timeline for multi-building compliance	10 mins
Wrap-Up & Next Steps	10 mins

Working Group Discussions Summary:

1. **How should building owners demonstrate ownership of private sector portfolios?**

Topic: Owners of multiple buildings have the option to pursue compliance via the portfolio pathway by generating an aggregate GHGIT across their portfolio. Per the BEPS ordinance, a *"Building portfolio" means two or more covered buildings on one or more lots, all owned by the same public, private, or nonprofit entity. Building portfolios may include district campuses and/or connected buildings. For the purposes of this definition, a building management company does not constitute an owner.* The Working Group was asked to brainstorm possible ways that private or nonprofit building owners could prove ownership of the buildings in their portfolio, since buildings owned by the same person or entity may not be listed under the same Taxpayer Name by the King County Department of Assessments.

Discussion: For clarifying questions, a working group member asked which entities can pursue the alternate GHGIT pathway for multiple buildings. OSE clarified that it is a compliance pathway for non-profit and public entities, primarily because these owners tend to add and remove buildings from their portfolio less frequently,so the alternate GHGIT baseline will be more stable. Another member noted that OSE should consider what happens if a building owner is planning to add a district energy system to their campus in the future.

In the breakout rooms, working group members expressed that private or nonprofit ownership structures are often complex. In a large private portfolio, none of the buildings may have the same registered owners. There may be a minority owner across a portfolio but multiple other investors, or one owner may have partial ownership of different amounts across different buildings, so it's important to define 'ownership'. Would it be based on a percentage of equity held? Joint ventures are increasingly common and the managing partner and majority owner may differ. The managing partner would lead most decisions, unless there are significant capital expenses.

With affordable housing, the non-profit managing partner may have a small equity stake, while the equity investor would be for-profit. Cooperatively owned buildings are also a unique ownership structure. Condominiums were also discussed, but one member explained that they operate under a registered condominium board. OSE was encouraged to prioritise true ownership, and not penalise companies that have multiple entities within it. Avoiding complexity is also a priority, so that owners can focus on compliance rather than proving ownership. A member noted that difficulties with identifying owners can also lead to problems with outreach about the legislation, and that owners who don't reside in the building may have difficulties accessing utility data. Affordable housing ownership is also complicated, so OSE should avoid undue burden on limited resource organizations to prove ownership.

Building owners might also benefit from guidance on when the portfolio option is

preferable to individual building compliance. One proposal was to establish ownership at the fund level, but this can add complexity as buildings in the fund may be outside of Seattle or below 20,000 square feet. Working group members asked two further clarifying questions, asking whether every building under one owner needs to be in a portfolio (no, the owner can choose), and whether there an owner can have more than one portfolio (OSE is not sure yet and will consider this). Generally, working group members wanted time to connect with their legal and finance teams to propose other possible methods for proving ownership.

2. **Under what conditions can a building be added to or removed from a portfolio in future compliance intervals?**

Topic: Owners of multiple buildings who are pursuing compliance at the portfolio level may need to add or remove buildings from their portfolio, for example when they buy or sell buildings, demolish a building, when a building complies via a different pathway, or when an extension expires. The Working Group was asked to share any other examples of when buildings may be added to or removed from a portfolio, and also how often building owners should be permitted to adjust their portfolios.

Discussion: A workgroup member explained that limiting when owners can add/remove buildings from the portfolio will be difficult as ownership changes often. Over a 5 year period, a private building portfolio might change 50%. OSE responded that this may create a large reporting burden but they understand the need to have flexibility. Another member voiced that continually changing the portfolio would also change your GHGIT, which is challenging. Another example of when owners would add/remove buildings from their portfolio would be major renovations and changes in use would be another time. One proposal was to let building owners add/remove buildings from their portfolio on an ongoing basis, but to only update the portfolio and GHGIT with OSE once during each compliance cycle.

3. **How should BEPS address connected buildings or district campus buildings that are less than 20,000 square feet?**

Topic: Connected buildings or buildings on the same lot may share energy meters or be connected thermally. As defined in the BEPS ordinance, *“Connected buildings” means two or more covered buildings owned by the same building owner that are situated on the same or adjacent parcels and have shared mechanical or metering equipment such as energy meters, building controls, heating, or ventilation or share a thermal envelope because they are physically connected.* Connected buildings generally function together for the same purpose, like a college or hospital campus. They are located together geographically and may share meters, but don’t have a centralised campus district energy source. As defined in the BEPS ordinance, a *“District campus” means two or more covered buildings on the same or adjacent parcels owned by the same building owner that is served by a campus district heating, cooling, water reuse, and/or power system. District campus buildings generally function together for the same purpose, like a college or hospital campus.* They are located together geographically and have a

centralised campus district energy source which supplies heating or cooling across the campus. They would be able to create an aggregate GHGIT across these buildings (or the owners entire portfolio) for compliance. However, buildings less than 20,000 square feet are often included in such configuration and these smaller buildings are not covered by BEPS (SMC 22.925.020), and so cannot be made to comply with BEPS requirements. The Working Group was asked to brainstorm the pros and cons of different ways to manage smaller buildings that are located on district campuses and connected building configurations with buildings larger than 20,000 square feet.

Discussion: Working group members listed pros and cons under possible ways to address buildings less than 20,000 square feet.

1. Sub-meter buildings less than 20,000 sq ft.
    a. Pros:
        i. Most accurate
        ii. If done well, “durable” solution
        iii. Most straightforward (can then decide to include or exclude), requires fewest “rules” or review
    b. Cons:
        i. Could be very expensive
        ii. Submetering costs and data management quality control
        iii. Small square footage may not warrant cost (perhaps more advantageous depending on building activity type)
        iv. These non covered buildings may contain the low hanging fruit [for decarbonization or energy efficiency]
        v. If required it can distract from strategy for decarbonization (+1)
2. Building owner provides engineering estimate
    a. Pros:
        i. Can be achieved cost effectively
        ii. Works well for relatively low energy buildings using methane [natural gas] heat (semi-conditioned shops)
    b. Cons:
        i. Requires administrative review which can be uncertain and costly (prone to differing interpretations from staff) +2
        ii. Actual usage changes not captured in estimate, when would a review for usage change be triggered?
        iii. Not in alignment with CBPS
        iv. Not very accurate
        v. Too many different methods to drive consistency in application
    c. Possible options for engineering estimates:
        i. Stipulated value (e.g. average or median of Seattle benchmarking so it neither helps nor hurts?) (+1)
        ii. Energy model (potentially too effort intensive)
        iii. If newer than some date, use DOE prototype energy model for that building type
        iv. Basic procedural guidance, rely upon ethical bounds (e.g. PE,

CEM) of qualified person

3. Long term: Demonstrate all buildings >20,000 SF are zero emissions
    a. Pros:
        i. Aligns with greater County/City Strategic Climate Action Plans
        ii. Eliminates need for submetering or calculating an engineering estimate
        iii. More building stock decarbonized
        iv. Achieves desired results and intent of BEPS
    b. Cons:
        i. May not be economically/technologically feasible today (+1)
    c. How to demonstrate net zero emissions:
        i. Demonstrate that building has been electrified
4. Any other options OSE should consider?
    a. Allow inclusion / exclusion of smaller buildings at owner's discretion (guided by rules) (+1)
    b. If not submetered, must include (+1)
    c. Could consider different rules for first and second/later intervals. More flexibility to start; stricter rules later.

The workgroup then discussed the options. One member noted that if you remove buildings under 20,000 square feet you're limiting the options the building owner has available for decarbonizing their connected buildings. Another member noted that allowing inclusion/exclusion at the building owners discretion allows the building owner more flexibility for longer term planning and meeting sustainability goals across their entire portfolio. However, OSE noted that this would require a lot more specificity in reporting. The inclusion/exclusion of a building will be more impactful over time. Another member expressed some doubts about whether engineering estimates would provide a straightforward or accurate measure of energy use. One proposal suggested allowing more flexibility in earlier cycles, then requiring inclusion or submetering in future cycles. There was discussion about whether a stipulated value could be applied to buildings under 20,000 square feet as an option to reduce administrative burden while allowing flexibility. One member explained that engineering estimates would be cost effective for some of their spaces, especially smaller buildings and semi-conditioned spaces.

4. How should BEPS address buildings with exemptions, extensions or decarbonization plans in multi-building reports?

Topic: If a building owner pursues compliance at the portfolio level, and they own buildings which include a landmark building(s) or building(s) within a historic district approved for a decarbonization compliance plan, the building(s) may be excluded from the portfolio for the purposes of the aggregate standard GHGIT, as stated in the BEPS ordinance. OSE is additionally considering proposing in rulemaking that buildings which are exempt for demolition, received extensions (for new construction, financial distress, or high rental vacancy), other extensions (for low-income/low-rent housing, human services, unless all are on the same reporting schedule), or are pursuing an alternate compliance pathway (the multifamily prescriptive path, net-zero or low emissions

decarbonization plans), should not be included in the portfolio pathway unless the building is not individually metered to be excluded. A ‘fist to five’ check-in was used to get a sense of the working group’s opinion on this proposal.

Discussion: For clarifying questions, a workgroup member asked what the lead time is for demolition exemptions. OSE thought two or three years and offered to confirm this, and has since confirmed it is 3 years and a permit is required, as stated in the BEPS ordinance: “*A covered building scheduled to be demolished within three years of a compliance deadline for any compliance interval may be exempt from meeting all requirements of this Chapter 22.925. If the covered building is not demolished within three years of the exemption approval, the building owner shall comply with all subsequent requirements of this Chapter 22.925.”*

Another member asked if there are buildings without GHGIT targets, and OSE explained that there are no buildings without targets under BEPS because there is an ‘other’ category for building types or the alternate GHGIT pathway. Another group member asked about connected buildings that include a single landmark building, and whether the whole group of connected buildings must be excluded from the aggregate pathway. OSE explained that it may depend on how the building is metered or how much of the campus it comprises, but this is still being examined and could be an edge case (see topic 3 above).

Using the fist to five voting method to share their opinion on the proposal, most respondents showed a 3 or 4 (‘I’m okay with it’ or ‘sounds good’). Others had some reservations. A portfolio with a mix of new construction and existing buildings can add complexity and bring confusion about timelines. Another member expressed that some of their existing buildings may be undergoing a major remodel, but just in half of the building. Not being able to include that building in their portfolio can affect long term investment decisions and also the overall alignment with State capital planning processes. Buildings may also be joined to a district energy system in the future, and owners may want flexibility about how and when that building can be included in portfolios. Another member clarified whether it’s true that if a connected building has one building that meets the criteria to not be included in a portfolio but cannot be metered out, is it being pushed towards aggregate GHGIT rather than a decarbonization plan? OSE explained that that is still being considered, and will be informed by today’s discussion. A building pursuing a decarbonization plan may be on its own timeline and targets, so it can be difficult to blend it with the aggregate GHGIT timeline, which follows a set timeline and targets, so OSE is considering options.

5. **How should BEPS address all electric buildings in multi-building reports?**

Topic: If a building owner pursues compliance at the portfolio level, and they own a building that has been verified as all electric, OSE proposes that the building owner have two options. They can 1) take the all electric exemption. Buildings that are verified as using only electric energy are exempt from GHGIT requirements & GHG reporting.

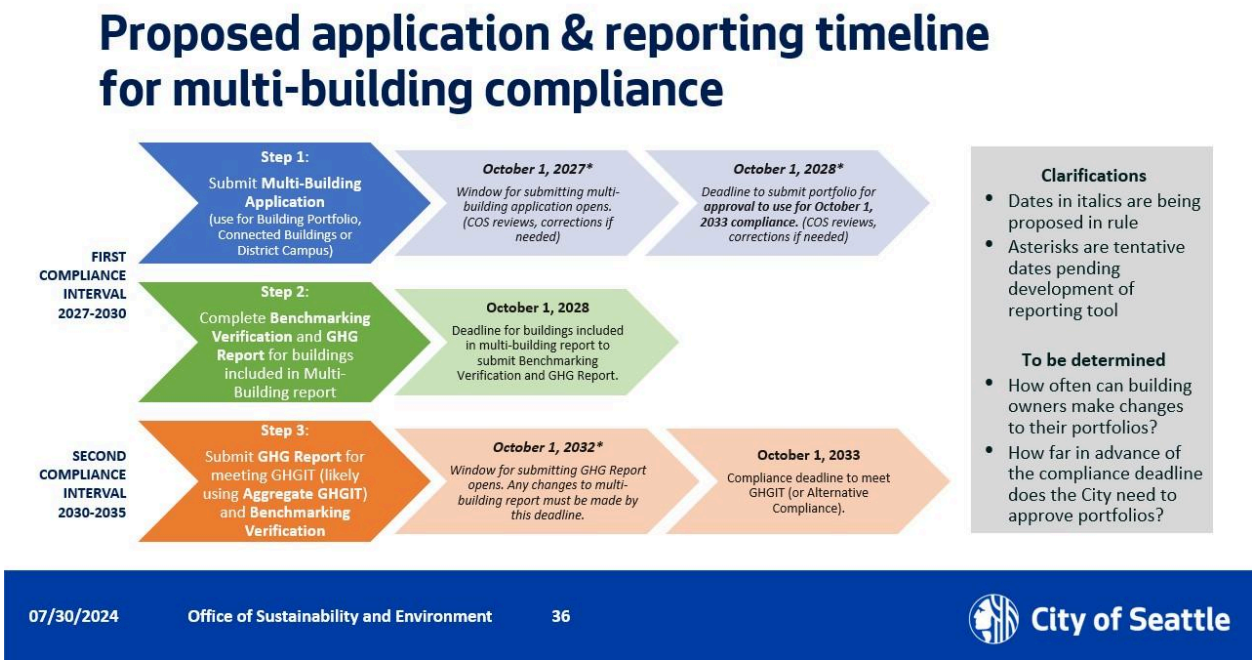
The building owner has a second option, which is to 2) include the building in their Multi-Building Report, in which case they must meet all GHG/GHGIT reporting requirements and must use electric emissions factors set in the ordinance. A ‘fist to five’ check-in was used to get a sense of the working group’s opinion on this proposal.

Discussion: Workgroup members clarified how a building is defined as all electric, and whether there is allotment for fossil fuels used for emergency backup. OSE explained that as long as the emergency backup use of fossil fuels is verified through the benchmarking and verification process, the building could take the electric exemption. [Post meeting note from OSE: we assumed the question was about diesel generators which typically are not reported in benchmarking because they are a delivered fuel. But the ordinance also allows a deduction for “fossil-fuel equipment used for back-up emergency heat in hospitals and laboratories,” which would be likely benchmarked as part of the building’s metered gas or steam use. In this case the building would likely not be considered “all-electric” because the usage for backup would need to be accounted for in the GHGI as an emissions deduction. OSE will clarify this during the future Deductions discussion]. OSE also noted that a gas meter no longer in use (say a building no longer has a restaurant tenant), can exist in the building as long as it's verified.

Another member voiced that multifamily housing may use natural gas just for amenities in common spaces like gas grills. According to the ordinance, this would not be considered all electric because the fossil fuel cooking equipment deduction expires after the 2040 compliance interval. However, compliance would likely be straightforward as the GHGI would be low from this minor use. One member asked why a building owner would choose option 1, as keeping the building in their portfolio would reduce their GHGI. OSE explained that they want to offer flexibility where possible. Another asked whether either option reduces the review burden on city staff. Option 1 likely creates a reduced reporting burden, but not substantially so. A workgroup member explained that a building owner might take option 1 if they know they’re going to sell a building to avoid big changes to their portfolio’s aggregate GHGIT. With this fist to five vote, all responses were 3s and 4s.

6. What does the Working Group think of the proposed reporting and compliance timelines?

Topic: OSE presented the proposed application and reporting timelines for multi-building compliance, as shown here, and asked for feedback.



Discussion: One workgroup member asked what happens if some buildings in a portfolio don't have enough data in Portfolio Manager to calculate GHGI, such as new construction? OSE explained that these buildings likely qualify for a new construction exemption for that cycle. Another member explained that normative guidelines for best practices for multi-building configurations from an experienced consultant would be helpful for building owners, rather than administrative guidance from city staff.

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