BEPS Working Group Session # 1 – Financing & Incentives
Breakout Group Notes
June 25, 2019

Group # 1 - Financing

Question: Do you have any experience in financing or receiving incentives for energy projects? What were the positives or challenges?

- Challenges on incentives include no money until Certificate of Occupancy, bridge financing is key
- Difficult for Universities to comply with campus plan process. This has significant implications for multiple building projects. BEPS assumes individual building compliance but that isn't how most universities are managed and would comply. A portfolio approach would be needed for BEPS and for financing.
- Timing of rehab projects means that vacancies go up, and other expenses are needed at the beginning of the project, which wipes out contingency dollars early. Incentives given at the end of the construction process are a barrier.
- Projects with cultural value or historical significance may need a different compliance pathway. Many projects that could be contributing or historic are not registered because owners want to maintain flexibility.
- Better Buildings Financing Navigator – educational tool from DOE. Similar tools largely missing from the market.

Question: What challenges or issues do you see in the financing arena?

- Market doesn't understand what resources are available. More marketing and PR would be helpful to spread awareness.
- Worried about the size/scale of available financing and demand. How will the DCGB meet that demand? How would value decisions about which projects to prioritize happen? If products are delayed, would the BEPS enforcement also be delayed as a result?
- Additional financing products would allow for a different approach to value engineering, so that design teams could make smarter decisions without the need for re-work, thus saving time and money on the design process.
- Many universities self-finance, or raise capital campaigns for renovations. No one wants their name on a plaque on the boiler room. It's not exciting. Universities used to use

Industrial revenue Bonds but the programs are no longer largely available. A substitute will be needed.

- Architects could help evaluate projects to see if they are in compliance and could make connections to financing to complete the work. Pre-development loans and incentives for designers could assist in early compliance.
- Quantity of projects will increase as more buildings need to renovate, and could add pressure for designers and consultants. DOEE should consider how those industries are supported.

Key Takeaways

- Much of the market is unaware of financing and incentive options. More education needed.
- Incentives given at the end of the project are a barrier to participation. Bridge financing needed.
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Group # 2 - Rebates and Incentives

Question: Do you have an experience dealing with this topic area in the District? What has that been like? What went well? How could it be improved?

- Are DC's incentives high enough?
  - Maryland vs DC incentives - 28 cents in MD vs 40-45 in DC (custom)
- Specific Multifamily project on Capitol Hill – lighting rebates
  - Data access/collection was the hurdle which cause rebate to drag on.
  - What kind of rebates can be capitalized on, who are the right people for them
  - Wants better idea of who to get in contact with and what data does DCSEU need?
  - Comparing rebates to determine effort vs reward

Question: How can relationship evolve over time between incentives and customers?

- Lack of Staff capacity to research all the different types of programs
  - Building hub might help fill this role
  - Consultants might fill this role or be better provider
  - Architect might be the go-to for developers, and they will hire MEP contractor. This route might not net energy efficiency measures.
  - More education is needed to target developers, architects, and MEP contractors
- Working group established by clean energy omnibus act to discuss energy efficiency programs
- Very few incentives are focused on design stage.
  - EUI being part of property

    - Montgomery County offers tax incentives for buildings going for LEED; the District could consider this
- Non-monetary values of DCSEU
    - Has helped institutions make decisions and implement
    - No design incentive for developers
    - BEPS might help motivate folks think about design long term
- Green Bank
    - Could provide gap funding for design upfront
    - DC PACE could help with some of this
    - DCSEU doesn't currently have any design incentives
- DCSEU technical support
    - Helping to identify areas where savings can be found
    - Get property owner/manager thinking about new options
    - Outside voice brings clout

Question: Sectors that require extra assistance (i.e. Affordable housing, other sectors)

- Affordable housing
    - Capacity issue is an area - Affordable housing needs assistance
    - Rebate incentives are a bit inaccessible since upfront cash is scarce
    - Inability to take on additional debt - Grant would be helpful, Instant rebates
    - Can't forget smaller operators
    - Economies of scale aren't everything - Split incentives?
- Assisted living facilities
    - Additional resources needed
    - Energy efficiency measures become enhanced because operating hours are 24/7
- Building-leasing company-tenant relationships
    - Ownership of energy consumption is hard to pin down
    - Economies of scale aren't everything - Split incentives?
    - Tenants are become sensitive about operating costs (new trend)
        - Tenants are asking for more information
        - Applies pressure on manager and building owner
        - Cost sharing becomes a question

Key Takeaways

- Staff capacity for researching and obtaining incentives/rebates can be a barrier to certain sectors (i.e. affordable housing)
    - A one-stop-shop for all incentives and rebates might be helpful – sounds like the Hub could offer this

- There is significant interesting in design incentives or education on energy efficiency for parties involved in the early design stages of a project (i.e. architects)
- Praise of DCSEU's non-monetary value
    - Help institutions make decisions and consider new option, identify areas where savings can be found, provide outside clout for staff making pitches to managers
- Affordable housing, Assisted living facilities, and sectors with split incentives require additional support
- Talk about new trend of tenants caring more about the efficiency of their building

Group # 3 – Non-financial Incentives

Question: What were your past experiences in this area? What went well or wrong?

- Permit to renovate lab was delayed
- Air permits – working on a new boiler. DOEE working on source energy permits. Equipment ordered, then get permit
- Pepco – interconnection on a solar project, timeline for DOEE grant was difficult. Hard to get.
- Pre-permit meeting was held with owner and all relevant agencies (Dave Epley set up). Problems, timelines, and relevant contacts were worked out ahead of time.
- DCRA provides a point of contact

Question: How can we improve the process (short-term, long-term)?

- DCRA comment – conversations with owners changes things. More transparency alleviates bad game, helps set and manage expectations, goals, deliveries, milestones.
- Time is money. Using this concept in communications or process examination is important.
- Ambassador or Expediter needs to be able to move the ball forward with ALL agencies
- Expediter registry – needs rating system or feedback mechanism
- Accurate construction costs – timely permitting – helps stay on budget with less change orders. Design changes and delay in commenting causes different equipment to be ordered
- Set a timeline for the permitting process for each agency (if one agency delays the overall timeline, then the owner pays for it in cost and delays)

Question: What other resources/ideas might be relevant to explore?

- US DOE Better Buildings Financing Navigator
- EPA Energy Star (Brandon Hall) has list of contractors for ENERGY STAR certifications (PEs and RAs)
- Free energy audits! (echoed in multiple groups)

Key Takeaways

- Pre-permitting communications to set up process and contacts
- Free energy auditing to get people started would be a great incentive

Group # 4 - Operations & Maintenance

Question: What existing programs could serve as good examples for the District to look to?

- Energy Masters (EcoAction Arlington) in Arlington, Virginia
  - One session participant has had staff go through a three-month training, which includes auditing their buildings. The focus for her was on affordable housing, and she appreciated that the training included co-benefits like health (mold and humidity management).
- DOE/PNNL Building Retuning Course
  - Free and online, focuses on Building Automation Systems
- EmPOWER Maryland
  - Offers free audits, but the building owner must agree to use energy savings for additional sustainability projects in the building

Question: Where are there training gaps with existing facilities management staff?

- Staff doesn't have the knowledge base
  - A key need/factor is the BAS – operators need knowledge about the energy saving tools that they have in their buildings
  - There is a need for ongoing training – especially with staff turnover, ongoing training of existing staff needs to be prioritized by building decision-makers
- Cost and competing priorities mean that ECMs don't get implemented
- Documentation from new construction to turnover to operation needs to be standard, that way when staff make changes to settings or to the building, it is documented so that the next person understands why
- Retro-commissioning training

Question: What incentives would be useful to help fill gaps in facilities management?

- Sub-metering costs
  - Capital (especially for more expensive-to-submeter sources like chilled water and steam)
  - Ongoing subscription costs for monitoring services
- Overtime for staff – most facilities management staff are making sure that everything in the building is working, investigating energy performance anomalies would be additional tasks on top of their full time load. Either money for overtime, or additional staff capacity, would be helpful

    - One option might be to subsidize a portion of an energy-focused professional in the first year, and then use the savings that they generate to help fund their position in the following years
- ESCOs – it would be helpful to have a robust, long-term pay for performance program that is transparent, clear, and the M&V is conducted by a trusted third-party (like the DCSEU)

Question: What other barriers/constraints exist for facility managers to implement energy efficiency projects?

- Contract structuring (for example, government facilities and ESCOs)
- Risk assessment is important
- Consolidate training around buildings types and sectors, allow building owners to pay for a number of spots rather than one-off individuals
- "Poaching" of newly trained staff
- Aging workforce

Key Takeaways

- Examine other regional incentive providers for training ideas (NYSERDA, Empower MD, etc.)
- Need for ongoing training – not a one-and-done (addressing turnover, reassignments, aging workforce, retro-commissioning training)
- Staffing capacity is an issue – adding energy-focused duties on top of existing duties is too much. Explore NYSERDA program that funds energy managers 75% in first year.
- Explore ESCOs in more detail for contract structuring or risk assessment assistance to remove barriers

Group # 5 – Onsite Renewables

Question: How do renewables fit into the BEPS world?

- Solar and storage – would work on the prescriptive path?
- Link solar incentives with efficiency projects as policy to help pair efficiency with generation
- Require added insulation with solar installations – Federal ITC?
- Encourage green roof installations at the same time as the solar projects
- Alternative BEPS metric could include solar energy as compliance and further encourage its adoption. Energy cost? GHG emissions?
- Education
    - Visualizing solar panels encourage behavior change

- Encourage long-term thinking – 10/15/20 years, not just 5

Key Takeaways

- Bundling solar or green roof installation into other planned energy efficiency projects is a key communication point. Installers may be an ally in helping them to encourage projects to think holistically.
- Potential to use SREC value to help finance efficiency measures at time of installation, especially if installer is involved in all aspects.
- Education needed to encourage long-term thinking for building-owners on renewables and efficiency – need to look beyond one five-year BEPS compliance period and invest further to avoid next cycle and beyond