

## Green Building Developer Forum: Potential Living Building and Deep Green Incentive Programs

*Monday, March 13, 2017; 11am-1pm; King Street Center, Seattle*



### Attendance

- Aaron Barnett, Cascade Built
- Cathy Beam, City of Redmond
- Mindy Black, Weber Thompson
- Mark Chen, Turner Construction Co.
- Matthew Combe, 2030 District
- Megan Curtis-Murphy, City of Issaquah
- Alicia Daniels-Uhlig, ILFI
- Jennifer Ewing, City of Bellevue
- Dave Favour, City of Issaquah
- Jess Harris, City of Seattle
- Cameron Hall, Perkins + Will
- Paul Hintz, City of Renton
- Marty Kooistra, Housing Development Consortium
- Leah Missik, Built Green
- Brett Phillips, Unico
- Miranda Redinger, City of Shoreline
- Sloan Ritchie, Cascade Built
- Zack Semke, NK Architects
- Patti Southard, King County
- Lisa Verner, King County
- Susan Wickwire, 2030 District
- Amy Waterman, 2030 District

### Meeting Purpose

The Living Building Challenge Demonstration Ordinance Subcommittee of the Regional Code Collaboration convened a meeting to solicit feedback from single-family, mid-rise, mixed-use, and commercial green builders. Several jurisdictions in King County are developing high performance building ordinances, and wanted to hear from developers about meaningful incentives and common barriers as they develop incentive packages.

### Presentations

#### Regional Code Collaboration

Patti Southard provided an overview of King County's Regional Code Collaboration (RCC), which includes staff from cities and counties in the region working to develop code language that can be locally adapted and adopted to meet sustainability commitments, including the King County-Cities Climate Collaboration (K4C) joint commitments. Key work in 2016-2017 includes a Living Building Challenge demonstration ordinance, a construction and demolition recycling ordinance, an aspirational energy code, and updating multifamily recycling codes.

#### City of Shoreline Green Building Incentives

Miranda Redinger provided an overview of Shoreline's draft Deep Green Incentive Program (DGIP), which provides incentives for third party high performance building certification, including Living Building Challenge (LBC), Living Community Challenge, Petal Recognition, Built Green Emerald Star and 5-Star, LEED Platinum, and Net Zero Energy Building (NZEB) + Salmon-Safe certification. Incentives include fee waivers or reductions and exemptions or departures from development standards such as parking requirements, open space requirements, set back and lot coverage, and height limits.

## City of Bellevue Green Building Incentives

Jennifer Ewing provided an overview of current and potential new green building incentives in Bellevue. Like Shoreline, Bellevue has proposed a tiered incentive system based on third-party green building certifications (LBC, Built Green, and LEED). Bellevue is proposing a fixed FAR bonus ranging from 0.2 to 0.3 FAR for its downtown, depending on certification level. The City is also considering an advanced green building pilot program that could potentially incorporate additional incentives, such as facilitated and/or expedited permitting, fee reductions, and additional land use bonuses and allow for departures and code alternates for projects seeking green building certification.

## Facilitated Small Group Discussions

Attendees were split into three groups, each with 7-8 individuals for facilitated small group discussions to solicit feedback on the incentive programs and discuss what types of incentives are most meaningful to developers. Discussion questions are presented below, along with a summary of attendee responses to those questions.

### 1. What incentives are most meaningful? How would you prioritize them? (e.g. Land Use, Parking Reductions, Permit Fee Reductions, Utility/Transportation Impact Fee Reductions, Expedited Permitting)

- Smaller developers prefer incentives that reduce the cost of a project (such as fee reductions) over those that increase project size—they may lack the capital and other resources to implement a bigger project, even if the increased lot size is available to them.
- Other developers prefer incentives that can increase revenue instead of saving permit fees; \$200,000 increase in annual revenue is more valuable than saving \$200,000 on a permit.
  - Increased density is a meaningful incentive to developers. Increasing rentable floor space (via FAR) can be really valuable to project ROI.
  - One suggested having developers take example sites and develop pro formas to vet proposed incentives.
- Facilitated permitting is helpful, especially for more complex projects that require departures from or code alternates. Expedited permitting nice to have but not as meaningful.
  - Seattle is an example where managing different approvals for permits (e.g., Department of Neighborhoods, design review board, historic preservation boards, for example) can be challenging.
- Incentives that could help developers work with utilities (and reduced associated costs) would be very helpful. Some noted that navigating stormwater requirements and exemptions can be challenging.
- Some incentives such as parking are less meaningful since projects are still market-driven. For projects more than a mile from light rail, for example, reduced parking isn't an incentive since the developers are still going to have to build parking.
  - Additionally, from an affordable housing standpoint, many residents are car-dependent for their jobs. There must be a certain level of parking in these types of projects.
- Consider, in addition to a FAR bonus, exempting the space associated with equipment space requirements for green buildings (such as purple pipes and heat recovery systems). FAR bonus should be actual leasable space.
- Not all jurisdictions own their utilities, consider reduced hook-up fees in jurisdictions that have public utility districts.
- Developers prioritize certainty and predictability, avoid risk. Incentives needs to allow for a reasonable return on cost and construction risk associated with pursuing higher levels of green building certification. Incentives need to align with costs, otherwise they won't be utilized.

### 2. How do you value the incentives in your decision-making and planning?

- Whether developers will “develop and hold” is something to consider when developing incentives.
- Consider long-term vs. short-term investments. Green building efforts pay out over the longer term.

- Longer-term investments can be hard to justify because of availability of funding sources; lenders aren't incentivized to take on a longer term investment risk. Lenders also may not recognize and do not factor into lending discussions and terms the operational savings from green buildings.
  - Incentives are influential, but FAR and building height are main drivers, especially in Seattle.
  - Long term developers may benefit from long term savings but short term (up to 7 years) may want to see incentives pay off right away due to the length of time they would own the building(s)
- 3. Are you typically already planning on developing a green building, and the incentives help to get you to a higher level, or do they help take a regular building up to a green building?**
- Cost is a factor for what people will pursue. For example, some projects with green stormwater elements have been included in the design phase, but then removed in development due to pricing.
  - Building codes have progressed a lot since LEED's early days. Some projects want to design to LEED but don't want to certify due to cost and administrative burden. Some non-certified buildings are still getting above-market rents due to green features.
- 4. Do you work on a lot of projects that are designed to LEED (or other) standards but don't pursue certification?**
- Built Green certification reported to be straightforward, but one attendee expressed challenges when pursuing Passive House certification. The barrier was not financial but time; the third-party response time was too slow.
  - Certification may not be a barrier for big developers (e.g., Unico, Vulcan); the process and cost is already built into their development process.
  - Implementing Petal Recognition standards for mid-rise buildings is already very challenging. When designing a project for certification, the developer always designs beyond the goal standard (as a contingency to avoid penalties if a few points are lost along the way).
  - Many higher education and federal projects are still going for LEED certification.
  - One attendee noted that their firm has had LEED standard designed projects, but in the end tradeoff between certification costs and other budget items means they don't typically pursue certification. Contractors find managing all the certification requirements challenging, which further raises costs in development.
- 5. What has been your experience working with Seattle's LBC Pilot and/or Priority Green Program and what are your recommendations for similar programs in other cities?**
- Some challenges meeting Seattle's sustainability design review requirements. One example is a project that hit a roadblock in design review due to difficulty getting a lower cost but less established sustainable building material approved. Developers face challenges balancing the costs associated in the project while implementing sustainability features; there should be some flexibility when developers are already spending a lot on other green building elements.
  - Seeing an increase in Built Green projects. Priority Green has helped.
  - Need to consider if the purpose of these incentives is to enable the development of a smaller group of very high performing buildings, or a more broad update of green building practices, which might not be the most advanced, but are more likely to be adopted at a larger scale.
  - Full LBC certification is a challenge:
    - Net zero water is tough to achieve, especially under current codes.
    - Options to achieve net zero energy more limited with buildings over six floors; most consider Petal Recognition only (not net zero energy) feasible for high rise buildings.
  - Consider equity. If someone doesn't have the means to pursue certification, make sure they aren't kept from receiving the incentives of green building.
    - Seattle's Alternative Path program allows for small projects which follow green building standards to still receive expedited permitting without having to demonstrate certification.

- Jurisdictions have concerns about the capacity to approve green features, certification systems are third party and they take pressure off the permitting agency.

**6. Are there additional opportunities to address code barriers that you have encountered, which are not included in draft language presented today?**

- There is some tension between building codes and new building trends. One example cited is HVAC for a high density Passive House project—building code requirements for minimum ventilation per room were excessive given the Passive House design.
- Scale jumping and district solutions. There are economies of scale for harvesting energy and processing water on a regional level. In an urban context, we have the ability to reach out and pay into wind farm and offset energy use, use bigger systematic catchments to harvest rainwater, etc.
- There are ongoing concerns regarding barriers to water systems in the plumbing code, interpretations by individual jurisdictions are not consistent.