



**Testimony by John Mandyck
CEO, Urban Green Council
Before the New York City Council Committee on Environmental Protection
Re: Intros 1251, 1252 and 1253**

December 4, 2018

Mr. Chairman, members of the committee, my name is John Mandyck and I am pleased to deliver this testimony as CEO of Urban Green Council. Russell Unger is out of town on a previously scheduled trip, or otherwise would have joined me.

Urban Green is a multi-stakeholder non-profit organization dedicated to transforming New York City buildings for a sustainable future. We do this by convening experts on our most critical issues, by providing research that informs policy and drives national conversations, by working with you and your colleagues in government to advocate for needed policy solutions, and by providing knowledge and training to support the 21st century green economy in New York and 13 cities in the U.S, and Canada.

The Blueprint for Efficiency that we delivered to you this fall represents the best of Urban Green. Over the course of eight months and 85 meetings, we convened the 80x50 Buildings Partnership, which includes 70 experts from 40 diverse organizations. We arrived at 21 actionable recommendations for building efficiency that will deliver the largest carbon reduction in the history of New York City.

The Blueprint represents the shared thinking of the city's major building and environmental stakeholders.

When we convened our partners last year, the outcome was completely uncertain. We didn't know if the parties would come. We didn't know if workable ideas could surface. We didn't know if consensus was possible. We didn't know if the outcome would matter to policymakers.

Almost a year later, we're at a hearing where the Blueprint for Efficiency serves as the basis for historic legislation. That happened because those that rarely agreed came together to find a better way. That shared thinking is powerful and it's the essential ingredient that has been missing in most global climate policy debates. But not here. Not now. So Urban Green thanks the 40 organizations in the Buildings Partnership that make this day possible.

We also thank the Mayor who rightly started this conversation and we thank you Mr. Chairman for your continued leadership with landmark legislation for our sustainable future. We also thank Speaker Corey Johnson and the other co-sponsors of this critical bill.

Buildings are the answer to our low-carbon future. They are the single largest source of our carbon emissions. So, the future of sustainability and the future of buildings clearly go hand in hand. Globally, buildings consume about 30 percent of energy, nationally buildings consume 40 percent of energy, but in New York City, buildings consume nearly 80 percent of energy.

We'll never get to our 80x50 requirements without workable policies that lower the energy consumption of our existing buildings. That's exactly what the Blueprint for Efficiency delivers: a 20 percent reduction in energy use for 50,000 of our largest buildings between 2020 and 2030.

We're grateful, Mr. Chairman, that the bill before us represents many of the Blueprint's elements, including a process for creating a new building performance metric, a new office of building energy performance, a strong and representative stakeholder advisory board, and a program for assisting building owners. And we strongly support the collective aim of an effective and long-term building emissions reduction policy.

But we have more work to do for the legislation to include all elements of the Blueprint and the careful balance that was reached among all parties of the Buildings Partnership. We pledge to work with you, your colleagues, and members of the Buildings Partnership to make that happen.

With that goal in mind, the following are Urban Green Council's key areas of concern, which also represent the priorities of many members of the Buildings Partnership:

1. The proposed early requirements are not feasible in present form.

Requirements that would necessitate significant capital improvements in a short period of time are not feasible, in part because of the time required for planning, financing, implementing, and assessing building upgrades.

Moreover, a policy based on an energy or emissions metric must account for the significant variety of factors influencing energy use (and thus carbon emissions) in large NYC buildings, such as hours of operation, density, and type of activity. A metric based only on building area and occupancy classification is inadequate, as it will not reliably identify wasteful or inefficient buildings.

Given these concerns, the proposed approach for early requirements starting in 2022 is unfeasible in its present form. Members of the Partnership believe there are alternative, more practicable approaches to delivering energy and carbon reductions in the early 2020s. While we have not yet agreed on any particular path, options include requirements based on percentage reductions or on the existing Energy Star metric (which accounts for factors like operating hours). For greater flexibility, owners could have the option of choosing their own path.

2. The proposed backstop is not feasible in present form.

Default requirements must reflect a feasible timeline and stringency. The proposed default emissions intensity requirements starting in 2024 would necessitate major upgrades in tens of thousands of large buildings over four years. These requirements would drive massive cost inflation and result in a large proportion of buildings falling short. Also, the stringency of the proposed backstop targets is based on incomplete data, since we don't yet have benchmarking information for buildings between 25,000 and 50,000 square feet.

These default provisions may also be unnecessary. The legislated mandate for the Department of Buildings to develop a workable metric and building performance requirements, based on advice of the newly created advisory committee is legally enforceable. Setting detailed and attainable building-level default requirements will require significant time and effort – time that could take away from other elements of what's already a highly intricate policy.

If the goal of the default requirements is to ensure a minimum level of reductions, sector-level energy or emissions targets are preferable. This is the approach in the Blueprint for Efficiency, which proposed a 20 percent source energy reduction for each major building sector.

It remains critical to send a long-term signal to the market so building owners integrate energy efficiency into capital planning as soon as possible. Potential means to achieve that end include:

- Accelerating the schedule for development of the new metric and associated building-level targets;
- Coupling sector-level targets with example retrofit pathways for typical buildings; and
- Amending the audit and retrocommissioning law to provide an option for owners to submit a capital plan instead of an audit for the second compliance cycle.

3. Building owners need support and flexibility for successful implementation.

Successful and cost-effective implementation of widescale emissions reductions depends on government support for owners. The inclusion of a program for assistance to owners and the creation of a sustainable energy (PACE) loan program are strong steps in the right direction. Further developing the plan for government support must remain a priority, including targeted subsidies for nonprofit organizations.

Flexibility in compliance is also critical for successful implementation. As recommended in the Blueprint for Efficiency, the policy should include a requirement to develop a compliance option based on efficiency or emissions trading, on the condition that initial study demonstrates such a program is feasible, effective, and reflective of environmental justice concerns.

Addressing regulatory barriers to energy efficiency will also make emissions reductions easier and less costly for owners. The Blueprint for Efficiency includes several recommendations to achieve this end that should be reflected in Intro 1253 or companion bills, such as removing the month of May from the heating season, streamlining façade inspections, and requiring the city to study ways to facilitate access to tenant spaces for legitimate efficiency upgrades.

4. Buildings with rent-regulated units can't be left behind.

Buildings with at least one rent-stabilized or rent-controlled unit make up about 40 percent of large multifamily building area. The proposed full exemption of these buildings would be a major barrier to climate progress.

Based on the consensus approach in the Blueprint for Efficiency, requirements for this sector should include energy conservation measures that do not qualify for rent increases based on Major Capital Improvements (MCIs). That means including measures beyond those in the audit and retrocommissioning law, such as installation of radiator temperature control valves, replacement of steam traps, upgrading master vents, or installation of radiant barriers behind radiators.

The bill should also include a provision to adjust requirements for rent-regulated buildings if the current MCI regime changes substantially.

5. Building energy grades should come after the development of the new metric.

The energy performance bill proposes development of a new building performance metric tailored to New York City buildings. The existing energy grades law (Local Law 33 of 2018) should be amended to take effect after this new metric is created,

and to utilize this same metric as the basis of the energy grades. This will ensure consistency across the city's building energy requirements.

Removing my Buildings Partnership hat and speaking for Urban Green, I'll conclude with a few thoughts:

This legislation is critical to reaching our 80x50 mandate. And reaching 80x50 is necessary to demonstrate New York City's climate leadership. We have a lot at stake: New York State has \$3 trillion of insured coastal properties – including New York City homes, apartments, shops and office buildings – more than any other state in the country. Yet when we reach 80x50, the effects of climate change and the devastating impact of rising waters in New York harbor will still occur if other cities around the world do not follow.

For others to do so, we need public policies that both work in New York and are exportable around the world. That's our best shot to save our city from the worst impacts of climate change.

Based on my prior 25-year buildings industry experience working in 53 countries, the Blueprint offers at least two policies that are scalable globally:

1. First is the manner by which we propose to measure building energy efficiency. Measuring efficiency sounds straightforward, but in its implementation we've often seen that the "one size fits most" approach doesn't work. Buildings that have high occupant density, trading floors and data centers are generally measured the same as buildings of identical size but with big office suites, lower density characteristics, and shorter operating hours. We have to measure buildings practically as they function, and that's exactly what the Blueprint proposes. Our recipe can work in other cities.
2. Second is the proposal to trade energy efficiency credits among buildings. This would be a first in the world at the scale we propose. In its simplest terms, we call for a 20 percent reduction in building energy use. If Building A achieves a 30 percent reduction but Building B can only reach 10 percent, Building B should be able to buy the extra 10 percent from Building A. The environmental benefit is the same because 20 percent would still be achieved overall.

To retrofit 50,000 buildings in an unprecedented 10 years, we need flexible policies and mechanisms like efficiency trading to get there.

And, to unlock efficiencies in residential buildings, where the largest share – 44 percent – of energy is used in New York City, we need new sources of capital that efficiency trading can provide to update aging mechanical and lighting systems. One could imagine, for example, energy services companies completing those upgrades

in residential buildings – on their own dime – in order to trade the efficiency credit.

Some stakeholders have voiced caution on trading systems in general, especially concerns about potential impacts on low-income communities, such as market mechanisms that could lead to underinvesting in these communities. But what if we gave higher credit in affordable housing or priority neighborhoods versus commercial properties to encourage the direct benefit in those neighborhoods? Good policy design can answer the concerns we hear.

We have the world's trading expertise right here in New York City to get this right. And when we do get it right, it is immediately exportable to cities around the country and around the world, with Urban Green ready to help scale the solution.

Today's legislation isn't just about how we get to 80x50, it has to also be about how we provide policy tools that can work far beyond New York. That's our best shot to stem the rising tide in New York harbor.

Mr. Chairman, your leadership and that of the committee will be crucial. We thank you for your focus. We thank you for this moment. Urban Green looks forward to working closely with you to incorporate all aspects of our consensus-based Blueprint for Efficiency into your legislation.

Sincerely,

A handwritten signature in black ink that reads "John Mandyck". The signature is written in a cursive, slightly slanted style.

John Mandyck
Chief Executive Officer
Urban Green Council

Appendix

Summary Table of Issues and Recommendations

Issue	Recommendation
<p>The proposed early (2022) requirements are not feasible in present form because they do not account for the significant variety of factors influencing energy use, such as operating hours, density, and type of activity. They would also necessitate significant capital improvements in many buildings in an unreasonably short period of time.</p>	<p>Develop a different, more practicable approach to deliver energy and carbon reductions in the early 2020s. Options include requirements based on percentage reductions in energy use or on the existing Energy Star metric (which accounts for factors like operating hours). For greater flexibility, owners could have the option of choosing from multiple compliance paths.</p>
<p>The proposed backstop is not feasible in present form because it does not reflect a feasible timeline and stringency and is based on incomplete data. The proposed requirements would drive massive cost inflation and result in a large proportion of buildings falling short.</p>	<p>To ensure a minimum level of reductions, set sector-level energy or emissions targets as recommended in the Blueprint for Efficiency (20 percent energy reductions by 2030).</p> <p>To send a long-term signal to building owners to integrate energy efficiency into capital planning as soon as possible, consider:</p> <ul style="list-style-type: none"> • Accelerating the schedule for development of the new metric and associated building-level targets; • Coupling sector-level targets with example retrofit pathways for typical buildings; and • Amending the audit and retrocommissioning law to provide an option for owners to submit a capital plan instead of an audit for the second compliance cycle.
<p>Successful implementation depends on support for building owners and flexibility in compliance.</p>	<p>As detailed in the Blueprint for Efficiency:</p> <ul style="list-style-type: none"> • Ensure that developing the plan for government support remains a priority, including targeted subsidies for nonprofit organizations; • Require development of a compliance option based on efficiency or emissions credit trading, conditioned on a study demonstrating such a program is feasible, effective, and reflective of environmental justice concerns; and • Address existing regulatory barriers to energy efficiency, including by removing May from

	<p>the heating season, streamlining façade inspections, and studying ways to facilitate access to tenant spaces for efficiency upgrades.</p>
<p>Excluding buildings with rent-regulated units from the legislation represents a major barrier to climate progress and will leave these buildings behind.</p>	<p>As detailed in the Blueprint for Efficiency, requirements for this sector should include energy conservation measures that do not qualify for rent increases based on Major Capital Improvements (MCIs), such as installation of radiator temperature control valves, replacement of steam traps, upgrading master vents, or installation of radiant barriers behind radiators.</p> <p>The bill should also include a provision to adjust requirements for rent-regulated buildings if the current MCI regime changes substantially.</p>
<p>The city’s building energy grade law is based on Energy Star, while Intro 1253 contemplates the development of a new building performance metric, creating the potential for substantial confusion around two different building performance programs.</p>	<p>Amend the existing energy grades law to take effect after the creation of the new metric, utilizing the new metric to ensure consistency across the city's building energy requirements.</p>