



# AEG Net Zero Building Summit

## Decarbonizing Affordable Housing Speaker Challenge

L+M DEVELOPMENT PARTNERS

April 2023





## Who We Are: L+M Development Partners



***LMDP is an impact-driven, vertically integrated top-tier developer, builder, and manager of multifamily, mixed use and affordable housing***

**Guided by its mission – Working Together to Build Stronger Communities – and its double bottom line philosophy, L+M Development Partners, LLC (LMDP) works across several market sectors, including multifamily residential, mixed-use and commercial.**

- LMDP and its affiliate companies are responsible for over \$10 billion in development and investment, have acquired, built, or preserved nearly 40,000 high-quality residential units and over 1.2 million square feet of retail and community facility space
- LMDP manages more than 20,000 units and has a typical construction workload of 10-15 active constructions projects
- Sustainability focus by building efficiency across the portfolio; protecting our buildings and tenant health from the effects of climate change; lessening the reliance on fossil fuels



## Problem Statement

**Local Law 97** is one of the few financial signals to support electrification retrofits

In order to meet new carbon thresholds, most buildings will need to **electrify thermal systems** and/or improve efficiency

Electrification of thermal systems currently using natural gas often requires significant capital but generally **does not create significant operational cost benefit**

Without electrifying, **affordable housing can complete pre-defined energy efficiency measures**, a.k.a. the “Prescriptive Path,” to avoid fines



**We can't afford a stick. Will there be a carrot?**

Will existing affordable housing be able to electrify without clear, positive, financial signals?



## Key Obstacle to Overcome

LMDP would work with others to share project data to help craft better financial signals for electrification

### *Generic building blocks for retrofit business case*

Cost Considerations	Mitigation
<b>Capital Expense</b>	<ul style="list-style-type: none"><li>• Incentives and subsidy</li><li>• Tax benefit</li><li>• Loan proceeds from underwriting to savings/NOI increase</li></ul>
<b>Operating Expense</b>	<ul style="list-style-type: none"><li>• Efficiency</li><li>• Commodity cost reduction (fuel switching)</li></ul>
<b>Other:</b> <ul style="list-style-type: none"><li>• Fines</li><li>• O&amp;M cost</li><li>• Capital needs</li></ul>	<ul style="list-style-type: none"><li>• Fine deferral</li><li>• Reduced or eliminated future capital projects</li></ul>

- A business case can be made for many energy efficiency measures, but thermal electrification projects are generally expensive and often do not reduce operating costs if a building is on gas
- Net operating income is a critical metric for any project
- A positive financial signal replacing fine deferral would help make the long-term business case for electrification



## Benefits / Consequences

### **If we can find a solution, we would see:**

- Improved comfort and safety of vulnerable populations during extreme heat events
- Improved local air quality
- Citywide carbon transition that is equitable
- More market solutions for electrification driven by better business case

### **If we can't, we risk:**

- Communities left behind, potentially shouldering the costs of fossil fuel infrastructure that other communities have moved away from
- Increased vulnerability to extreme heat



## The Challenge

*Regarding building decarbonization and electrification, to achieve New York's Climate, Health and Equity goals, a critical obstacle to collectively overcome in 12 months is **the lack of long-term financial benefits for affordable housing buildings to decarbonize***