

Read Barting Black

AEG Net Zero Building Summit

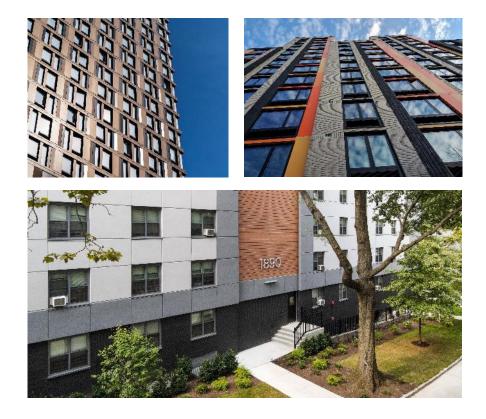
Decarbonizing Affordable Housing Speaker Challenge

L+M DEVELOPMENT PARTNERS

April 2023

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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



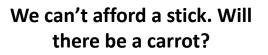


Local Law 97 is one of the few financial signals to support electrification retrofits

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



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
Capital Expense	 Incentives and subsidy Tax benefit Loan proceeds from underwriting to savings/NOI increase
Operating Expense	 Efficiency Commodity cost reduction (fuel switching)
Other: • Fines • O&M cost • Capital needs	 Fine deferral Reduced or eliminated future capital projects

- 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





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**

