



NOVOGRADAC

Journal of Tax Credits™

Insights On Affordable Housing, Community Development, Historic Preservation, Renewable Energy and Opportunity Zones

September 2021 ♦ Volume XII ♦ Issue IX

Published by Novogradac



EXCERPT FROM

THE **HISTORIC TAX CREDIT** ISSUE

STORIES INSIDE

Despite Challenges, HTC Market Continues to Move Forward ♦ Planning for
HTC Program Enhancements ♦ Pandemic Poses Distinct Challenges to
Developers of Historic Buildings in Hospitality Industry ♦ Implementing Green
Building Practices with Historic Preservation

Better Buildings Challenge Encourages Energy Efficiency

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

The Better Buildings Challenge (BBC) is a voluntary leadership initiative that encourages businesses, manufacturers, cities, states, universities and school districts to commit to boosting their portfolio-wide energy efficiency by at least 20% across a 10-year period.

The U.S. Department of Energy (DOE) issued the challenge in 2011. Building types are split into nine separate sectors, including a multifamily sector, which DOE partnered with the U.S. Department of Housing and Urban Development (HUD) to add to the challenge in 2013.



Image: Courtesy of BRIDGE Housing

A view of the entrance to Copper Creek Apartment Homes, a BRIDGE Housing development in San Marcos, California. BRIDGE spent nearly \$50,000 in green energy endeavors at Copper Creek, including adding a high-efficiency heat pump, energy-efficient light-emitting diode lights, and smart strip power outlets to minimize energy waste.

Twelve multifamily participants have achieved the BBC goal, including San Francisco-based developer BRIDGE Housing, which was recognized in June by HUD and DOE for achieving more than 40% energy savings across its portfolio since 2013.

Kranti Malik, senior portfolio and sustainability associate for BRIDGE, said the recognition feels amazing.

“I started with BRIDGE four years ago in October,” she said. “I didn’t have an understanding of the Better Buildings Challenge, but once I understood what the challenge entailed, ... I thought, ‘this is a no-brainer.’”

More than 950 BBC partners and allies have shared their ideas, strategies and case studies via the Better Buildings Solution Center, an online knowledge base for participants to collaborate and learn from each other as well as from technical experts at the DOE National Laboratories and Technology Centers. Housing organizations that own or manage at least two multifamily buildings of five or more units can participate.

The program has seen success. As of 2020, 712,000 housing units in the multifamily sector were committed to the challenge and saved a cumulative total of 21 trillion British thermal units and a cumulative cost savings of \$200 million, said Leslie Zarker, who supports the challenge as the senior manager of multifamily housing and energy efficiency for global consulting firm ICF.



Image: Courtesy of Tenderloin Neighborhood Development Corporation
SOMA Studio and Family Apartments, a Tenderloin Neighborhood Development Corporation (TNDC) property in San Francisco. TNDC is an ambitious participant in the Better Buildings Challenge, a nationwide energy-reduction campaign sponsored in conjunction by the U.S. Department of Energy, striving for energy reduction, water reduction, carbon emission reduction and increasing the diversion of waste.

Establishing a Baseline

There are 90 partners in the multifamily sector of the challenge, with most focused on affordable housing. According to Zarker, when partners join, they commit to the practice of utility benchmarking—tracking, analyzing and reporting their energy use across their portfolios. More than 70% are now able to consistently provide energy use data year over year, she said, a dramatic jump from 14% in the initial years of the multifamily portion of the BBC.

Zarker, as well as a representative for HUD, said the primary drivers of partners' utility benchmarking success is HUD-supported technical assistance (TA) along with the increasing adoption of benchmarking ordinances by local governments. Account managers at ICF work to provide TA, working with the program's multifamily housing providers to address their specific challenges and concerns. Most of the participants use Energy Star Portfolio Manager to establish a baseline and track data, said Amy Hook, chief social impact officer at Novogradac. Previously, Hook oversaw the multifamily portion of the BBC as the senior technical specialist at ICF.

Zarker said utility benchmarking is vital to improving energy efficiency.

“Properties that benchmark generally reduce more energy than those that don’t,” she said. “For owners and managers, just knowing how much energy your buildings consume is the first step toward saving energy.”

Partners in the challenge establish their baseline energy usage metric to then compare their annual progress to that baseline over time. Owners and managers introduce various approaches to driving use down across their portfolio through means such as constructing new, high-performance properties, retrofitting older structures, adopting green operations and maintenance practices and encouraging changes to resident and staff behaviors and more, according to Zarker.

Engineering Solutions vs. Behavioral Solutions

Zarker said one of the boldest partners in the challenge is the Bay Area's Tenderloin Neighborhood Development Corporation (TNDC), a nonprofit that manages properties exclusively in San Francisco.

Magdalena Szymanska, the sustainability and facilities coordinator for TNDC, sorted the nonprofit's efforts into four categories: energy reduction, water reduction, carbon emission reduction and increasing the diversion rate of waste. TNDC has pledged reduction of targets in all four categories within the Better Buildings program.

For TNDC, many properties in its portfolio are older buildings, which present difficulties when it comes to decreasing energy use. At BRIDGE, Malik said more than 85% of its properties were older, which presented the challenge of going into existing infrastructure to make changes.

Mark Puchalski, director of facilities at TNDC, said engineering solutions such as installing low-flow showerheads or optimizing heating, venting and air conditioning materials helps make sustainability decisions for people on a level that is easy and natural. Those are solutions he considers most likely to succeed, taking precedence over what he called behavioral solutions, which involve altering patterns of behavior to conserve energy.

“People are like water. They take the path of least resistance,” he said. “If we can engineer a solution for them, we’ll have much better success.”

Types of behavioral changes include introducing different maintenance practices and engaging residents in green conservation efforts.

One such behavioral change BRIDGE introduced was issuing a green maintenance guide to help property staff, managers and maintenance folks implement repairs in specific ways, such as using light-emitting diode lights when replacing lighting.

It's Not Easy Being Green

Malik said that while identifying green solutions presents its own hurdles, funding such changes is another. BRIDGE has worked with lenders to identify possible funding sources, whether that's working with a local energy provider such as Pacific Gas & Electric Company and its Multifamily Properties Program for energy-efficiency rebates as well as other grant and/or incentive programs.

"In affordable housing, it's hard to have extra cash just sitting around to put to something (like this)," she said. "We're using whatever funds are available and implementing energy efficiency throughout our portfolio. ... It's for the betterment of our portfolio."

Malik emphasized that it's easier to include green initiatives as buildings are engineered and constructed rather than add them at a later date. Hook said that, in 2021, the cost of constructing new, energy-efficient buildings is comparable to the cost of conventional buildings.

"It's not that green building is more expensive," Hook said. "It's that we have to retrofit an old building."

Puchalski encouraged governments to work toward greater tax incentives as well as urged people in community development to consider return-on-investment as more than merely economic.

"As we invest in new technology, we invest in the technological of health of our communities, our tenants, our employees," he said. "This really is a crisis situation. We have to look at return on investment as more than just money. It's about the health of our communities, all

the way up to the health of the planet. That's really what we're struggling to accomplish here. We're trying to do as much as we can do."

Looking Forward

Zarker said the next frontier is engaging participants to reduce their carbon emissions. Six multifamily partners have joined the Better Buildings Low Carbon Pilot program, including TNDC.

The pilot asks participants to craft potential solutions to lower the carbon load for at least two buildings within their portfolio.

"They don't always know how they're getting there, but they're committed," Zarker said.

A representative for HUD included low- or no-carbon building strategies among a cadre of issues moving forward in the multifamily sector, including growing awareness of the vulnerability of the sector to and the overall need to address climate change. The representative also pointed to greater resilience to power outages, deeper retrofits, and recognizing environmental challenges such as the increased vulnerability to flooding, especially in coastal areas, along with wildfires and drought.

BRIDGE is considering its next move, Malik said.

"Our work toward greening is not going to stop just because we have achieved our BBC goal," Malik said. "As California progresses in energy efficiency and continues toward reducing greenhouse gas emissions, state and local ordinances around energy benchmarking will continue to drive our work in sustainability. This will help keep the longevity of our properties and better prepare our properties against increasing energy costs across the state."

Szymanska had words of wisdom for developers, public housing authorities or others in community development who are just getting started on greening efforts.

"Focus on one building," she said. "Do some small project and measure the results. ... Show it's working.

Then do a couple of projects and measure it again. Data is key. Then you can spread the work wider and farther.”

Several of the participants said the BBC’s greatest value is peer exchange, including Szymanska, who said the BBC has helped TNDC organize and connect her to others in the same field or who face similar issues regionally and nationwide.

“The Better Buildings Challenge, for me, it’s great to know what’s happening in the bigger picture in the U.S. as a country,” she said.

Puchalski said communication between public and private entities along with financing challenges are difficulties he sees on the horizon, but encouraged the peer exchange of such programs as the BBC.

“Start now,” he said. “Get rebate dollars. Find solutions. Reach out to peers. We will help you. ... This is not a competition against each other. It’s an effort to save the planet. I look at it as nothing less than that.” ♦

© Novogradac 2021 - All Rights Reserved.

This article first appeared in the September 2021 issue of the Novogradac Journal of Tax Credits. Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.

Notice pursuant to IRS regulations: Any discussion of U.S. federal or state tax issues contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any discussion on tax issues reflected in the article are not intended to be construed as tax advice or to create an accountant-client relationship between the reader and Novogradac & Company LLP and/or the author(s) of the article, and should not be relied upon by readers since tax results depend on the particular circumstances of each taxpayer. Readers should consult a competent tax advisor before pursuing any tax savings strategies. Any opinions or conclusions expressed by the author(s) should not be construed as opinions or conclusions of Novogradac & Company LLP.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.novoco.com.

EDITORIAL BOARD

PUBLISHER

Michael J. Novogradac, CPA

EDITORIAL DIRECTOR

Alex Ruiz

TECHNICAL EDITORS

Thomas Boccia, CPA
James R. Kroger, CPA
Diana Letsinger, CPA

Matt Meeker, CPA
John Sciarretti, CPA
Stacey Stewart, CPA

COPY

SENIOR EDITOR

Brad Stanhope

SENIOR MARKETING MANAGER

Teresa Garcia

COPY EDITOR

Mark O'Meara

SENIOR WRITER

Nick DeCicco

CONTRIBUTING WRITERS

George Barlow
John DeJovine
Nick Gerhardt
Cindy Hamilton
Joyce Hsia

Michael Kressig
Jim Kroger
Albert Rex
Abigail Swallow
Doris Yu

ART

CREATIVE DIRECTOR

Alexandra Louie

CARTOGRAPHER

David R. Grubman

GRAPHIC DESIGNER

Brandon Yoder

CONTACT

CORRESPONDENCE AND EDITORIAL SUBMISSIONS

Teresa Garcia
teresa.garcia@novoco.com
925.949.4232

ADVERTISING INQUIRIES

Christianna Cohen
christiana.cohen@novoco.com
925.949.4216

ALL MATERIAL IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS PROFESSIONAL ADVICE OFFERED BY NOVOGRADAC OR BY ANY CONTRIBUTORS TO THIS PUBLICATION.

ADVICE AND INTERPRETATION REGARDING THE LOW-INCOME HOUSING TAX CREDIT OR ANY OTHER MATERIAL COVERED IN THIS PUBLICATION CAN ONLY BE OBTAINED FROM YOUR TAX AND/OR LEGAL ADVISOR.

ADVISORY BOARD

OPPORTUNITY ZONES

Dan Altman	SIDLEY AUSTIN LLP
Glenn A. Graff	APPLEGATE & THORNE-THOMSEN
Shay Hawkins	OPPORTUNITY FUNDS ASSOCIATION
Martin Muoto	SOLA IMPACT

LOW-INCOME HOUSING TAX CREDITS

Jim Campbell	SOMERSET DEVELOPMENT COMPANY LLC
Tom Dixon	BOSTON CAPITAL
Richard Gerwitz	CITI COMMUNITY CAPITAL
Elizabeth Bland Glynn	TRAVOIS INC.
Rochelle Lento	DYKEMA GOSSETT PLLC
John Lisella III	U.S. BANCORP COMMUNITY DEV. CORP.
Derrick Lovett	MBD COMMUNITY HOUSING CORP.
Thomas Morton	PILLSBURY WINTHROP SHAW PITTMAN LLP
Rob Wasserman	U.S. BANCORP COMMUNITY DEV. CORP.

PROPERTY COMPLIANCE

Jen Brewerton	DOMINIUM
Kristen Han	WNC
Michael Kotin	KAY KAY REALTY CORP.

HOUSING AND URBAN DEVELOPMENT

Victor Cirilo	NEWARK HOUSING AUTHORITY
Flynann Janisse	RAINBOW HOUSING
Ray Landry	DAVIS-PENN MORTGAGE CO.
Denise Muha	NATIONAL LEASED HOUSING ASSOCIATION
Monica Sussman	NIXON PEABODY LLP

NEW MARKETS TAX CREDITS

Frank Altman	COMMUNITY REINVESTMENT FUND
Maria Bustria-Glickman	US BANK
Elaine DiPietro	BLOOMING VENTURES LLC
Chimeka Gladney	ENTERPRISE COMMUNITY INVESTMENT INC.
Merrill Hoopengardner	NATIONAL TRUST COMMUNITY INVESTMENT CORP.
Scott Lindquist	DENTONS
Tracey Gunn Lowell	U.S. BANCORP COMMUNITY DEV. CORP.
Ruth Sparrow	FUTURES UNLIMITED LAW PC
William Turner	WELLS FARGO

HISTORIC TAX CREDITS

Irvin Henderson	HENDERSON & COMPANY
Bill MacRostie	MACROSTIE HISTORIC ADVISORS LLC
Claudia Robinson	BANK OF AMERICA
Donna Rodney	MILES & STOCKBRIDGE
John Tess	HERITAGE CONSULTING GROUP

RENEWABLE ENERGY TAX CREDITS

Jim Howard	DUDLEY VENTURES
Elizabeth Kaiga	DNV GL
Forrest Milder	NIXON PEABODY LLP

© Novogradac
2021 All rights reserved.
ISSN 2152-646X

Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.