



# WASHINGTON BPS: FROM COMPLIANCE TO COMPETITIVE EDGE

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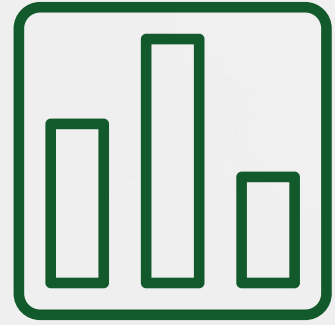
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**VCA**

# Agenda



- Why Building Performance Matters
- Policy Overview
- Show Me the \$\$\$



# Why Building Performance Matters



## ENERGY STRATEGY

Energy is no longer just an operating cost. It is becoming a strategic factor in asset performance.



**2x**

Washington electricity prices have risen since 2001

**50+**

Cities now have energy disclosure & Building Performance Standards (BPS)



Investors, lenders, and tenants increasingly track energy performance

# Energy is Impacting Commercial Real Estate

1



## Rising Electricity Demand

- EV charging infrastructure
- Electrification
  - Heat pump adoption
  - Electric water heating
- AI data centers
- Climate factors

2



## Increasing Cost

- Infrastructure demand
- Modernization
- Climate factors
- Market volatility
- Socio-political instability

3



## Transparency & Awareness

- Local benchmarking ordinances & Building Performance Standards (BPS)
- Public energy disclosure
  - ESG
  - Corporate climate disclosure
    - CA SB 253
- Underwriting
- Risk assessment
- Valuation Impact

## POLICY OVERVIEW

**Energy Benchmarking and Building Performance Standards (BPS)** are a strategy of a city or state's climate action plan, with the goal of reducing energy use and reaching net zero emissions.

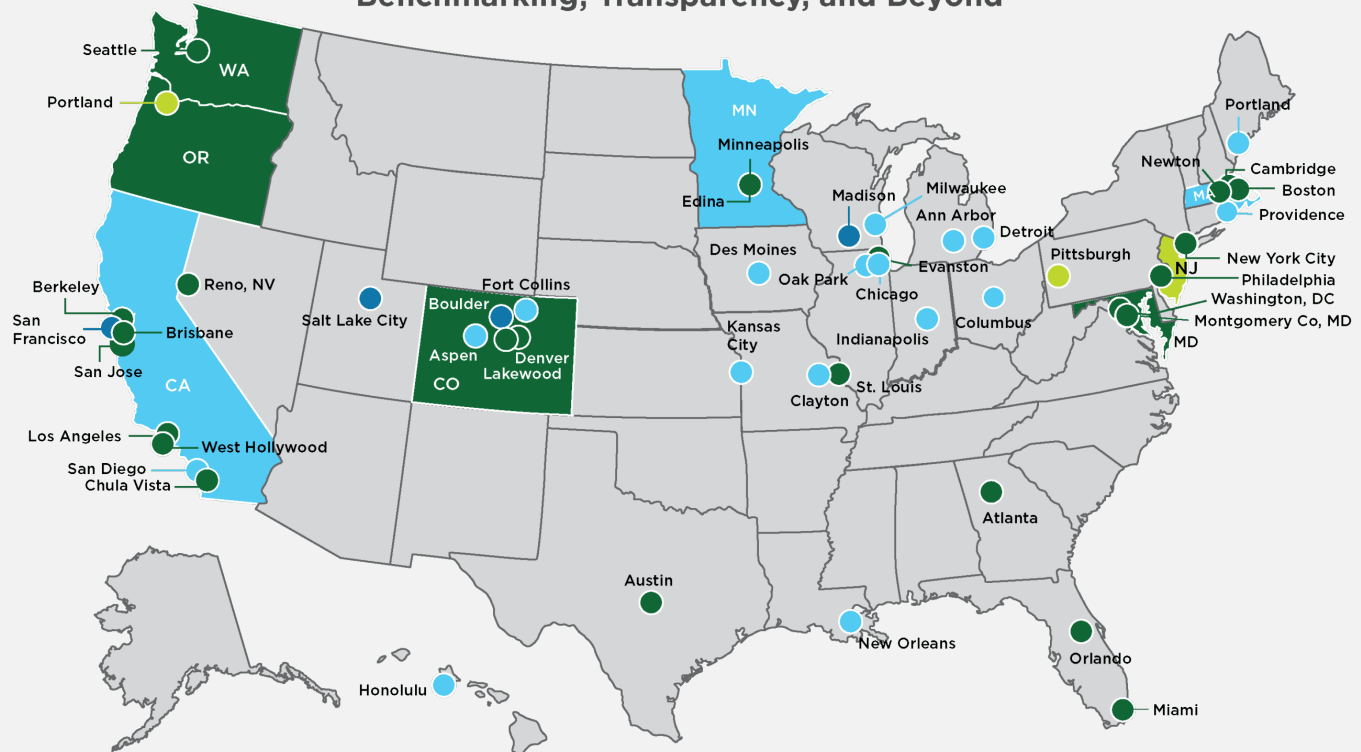
### PHASE I

Large existing buildings (usually 20,000 - 50,000+ sq. ft.) **must complete ENERGY STAR® benchmarking annually.**

### PHASE II

**Building Performance Standards (BPS)** require buildings to reduce use/GHG and maintain or improve over time.

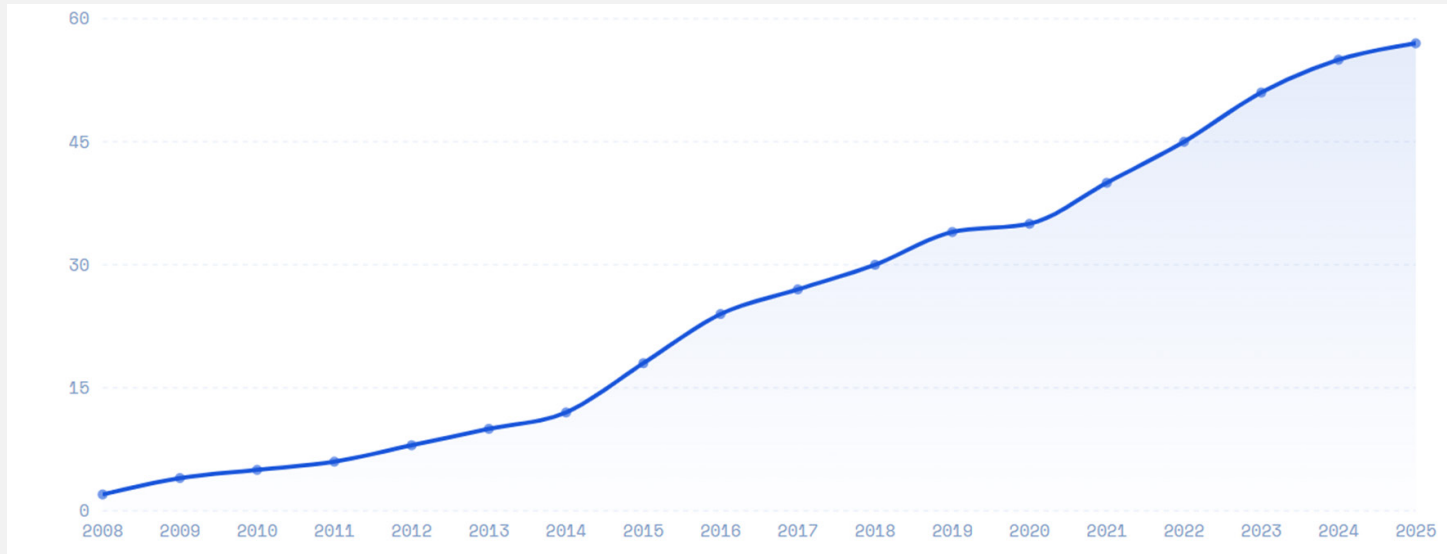
## U.S. City, County, and State Policies for Existing Buildings: Benchmarking, Transparency, and Beyond



- Benchmarking required for public and commercial buildings
- Benchmarking and additional actions required for public and commercial buildings
- Benchmarking and additional actions required for public, commercial, and multifamily buildings
- Benchmarking required for public, commercial, and multifamily buildings



# Growth of Benchmarking & Building Performance Standards (BPS)



## 2008–2011

### Pioneers

Washington DC, NYC,  
and Seattle led the way  
**+6 jurisdictions**

## 2012–2015

### Early Adopters

East Coast cities + CA  
build a movement  
**+14 jurisdictions**

## 2016–2019

### Expansion

Midwest & Sun Belt cities;  
first state laws  
**+16 jurisdictions**

## 2020–2025

### Acceleration

State mandates & BPS  
surge; **20+ new  
jurisdictions**

ENERGY STAR® BENCHMARKING 101

# VITAL SIGNS OF YOUR BUILDING

**Benchmarking is the basis for energy disclosure policy.**

- Verifying accuracy is key: garbage in, garbage out.
- Real insight into:
  - Building performance comparison – where do you stand?
  - Consumption trends by source – what are your outliers?
  - Are you heading in the right direction?

# 73

**123 Main Street**

Primary Property Type: Distribution Center  
 Gross Floor Area (ft²): 17,000  
 Built: 1973

Property Address:  
 123 Main Street  
 123 Main Street  
 Orange, California 92868

## Performance Comparison

	Progress			Performance Goals		
	Baseline (Ending Date 2/28/2023)	(Ending Date 12/31/2024)	% Change	Property's Target	National Median	ENERGY STAR Score of 75
<b>ENERGY STAR Score</b>	71	73	2.8	76	50	75
<b>Energy</b>						
Site EUI (kBtu/ft²)	11.4	10.5	-8.4	9.7	16.5	10.1
Source EUI (kBtu/ft²)	31.8	29.2	-8.4	27.1	46.1	28.1
Energy Cost (\$)	N/A	N/A	N/A	N/A	N/A	N/A
Energy Cost Intensity ()	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total (Location-Based) GHG Emissions</b>						
Total (Location-Based) GHG Emissions (Metric Tons CO2e)	12.86	11.78	-8.4	10.93	18.63	11.33
Total (Location-Based) GHG Emissions Intensity (kgCO2e/ft²)	0.76	0.69	-8.4	0.64	1.1	0.67
<b>Water</b>						
All Water Use (kgal)	256.5	223	-13.1	*	*	*
Indoor Water Use (kgal)	N/A	N/A	N/A	*	*	*
Indoor Water Use Intensity (gal/ft²)	N/A	N/A	N/A	*	*	*
Total Water Cost (\$)	N/A	N/A	N/A	*	*	*

# WASHINGTON CLEAN BUILDING PERFORMANCE STANDARDS (CBPS)



OVERVIEW

# WASHINGTON CLEAN BUILDING PERFORMANCE STANDARDS (CBPS)

WHAT

Energy benchmarking and building performance standards.

TIER 1

Commercial buildings 50,001 Sq. Ft. or larger.

TIER 2

Commercial buildings 20,000 to 50,000 Sq. Ft.  
Multifamily 20,000 Sq. Ft. or larger.

# WA CBPS

## Tier 1 Compliance



### **TIER 1 BUILDING REQUIREMENTS**

1. Benchmark energy use
2. Implement an operations & maintenance (O&M) plan
3. Implement an energy management plan(EMP)
4. Meet an energy use target (EUI<sub>t</sub>)



### **INVESTMENT CRITERIA PATHWAY**

If they can't meet their EUI<sub>t</sub>, they must conduct:

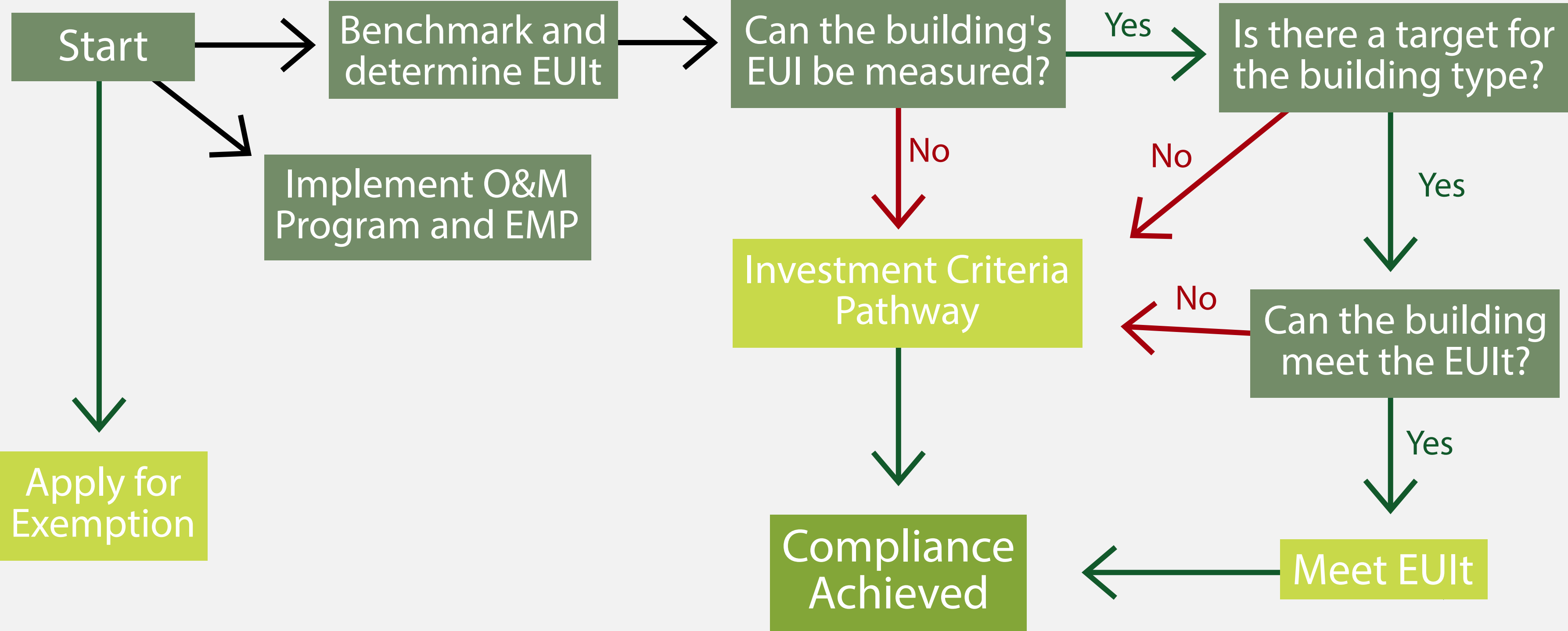
1. ASHRAE Level II audit
2. Life-cycle cost analysis
3. Implement cost-effective efficiency measures



### **TIER 1 PENALTY**

The base fine for non-compliance is **\$5,000, plus \$1/day/Sq. Ft.** Penalties may accrue for 18 months.

# WA CBPS Tier 1 Compliance Flow Chart



# WA CBPS

## Tier 2 Compliance



### **TIER 2 BUILDING REQUIREMENTS**

1. Buildings must benchmark energy use
2. Implement an operations & maintenance (O&M) plan
3. Implement an energy management plan (EMP)



### **INVESTMENT CRITERIA PATHWAY**

Since there is no EUI target requirement, there is no investment criteria compliance pathway.



### **TIER 2 PENALTY**

Violations in Tier 2 buildings will result in a fine of **\$0.30 per Sq. Ft.** per compliance cycle.

# WA CBPS DEADLINES

## TIER 1

- June 1, 2026 - 220,001+ Sq. Ft.
- June 1, 2027 - 90,001 - 220,000 Sq. Ft.
- June 1, 2028 - 50,001 - 90,000 Sq. Ft.

Compliance cycles repeat every 5 years.

## TIER 2

- July 1, 2027 - All Tier 2 covered buildings.

Compliance cycles repeat every 5 years.

All requirements are due by the building's respective deadline.

# SEATTLE BUILDING EMISSIONS PERFORMANCE STANDARD



OVERVIEW

# SEATTLE BUILDING EMISSIONS PERFORMANCE STANDARD (BEPS)

WHAT

Energy benchmarking and building performance standards.

WHO

Existing buildings 20,000 Sq. Ft. or larger.

## PHASE I

ENERGY STAR<sup>®</sup>  
Benchmarking

## PHASE II

Data Verification, GHG Reports,  
GHGI Targets  
Ongoing maintenance &  
penalty enforcement



# SEATTLE BEPS

## Phase I

### Benchmarking



#### **BENCHMARKING REQUIREMENT**

Annually report energy use via ENERGY STAR® Portfolio Manager®.



#### **BENCHMARKING METRICS**

- ENERGY STAR Score
- Site EUI (Energy Use Intensity)
- GHGI (Greenhouse Gas Intensity)



#### **DEADLINE**

Required annually by June 1.



# SEATTLE BEPS

## Phase II

### Data Verification, GHG Reports, Emissions Targets



#### **DATA VERIFICATION & GHG REPORT**

Owners must submit:

1. Third-party verification of benchmarking data
2. A report conducted by a Qualified Person detailing the building's journey towards BEPS compliance and its plan to meet future greenhouse gas intensity targets (GHGIT)



#### **GHGI TARGETS, DATA VERIFICATION, & GHG REPORT**

Owners must:

1. Meet Greenhouse Gas Intensity (GHGI) targets\*
2. Verify benchmarking data
3. Submit GHG reports conducted by Qualified Person

\*GHGI targets are set based on building type. Targets must be met every 5 years and becoming increasingly more stringent, **leading to net-zero emissions.**

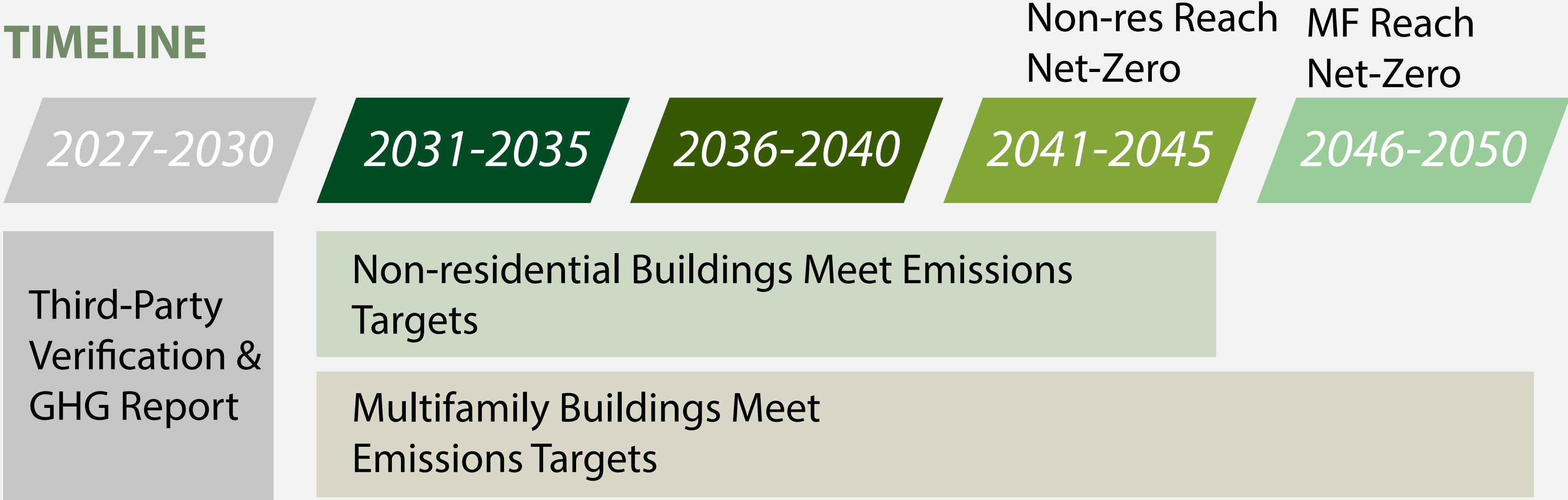
# SEATTLE BEPS

## BPS Deadlines

Building Size	Data Verification & GHG Report	Meet GHGI Performance Target, Data Verification, GHG Report
220,001 Sq. Ft. or Larger	October 1, 2027	October 1, 2031
90,001 to 220,000 Sq. Ft.	October 1, 2028	October 1, 2032
50,001 to 90,000 Sq. Ft.	October 1, 2028	October 1, 2033
30,001 to 50,000 Sq. Ft.	October 1, 2029	October 1, 2034
20,000 to 30,000 Sq. Ft.	October 1, 2030	October 1, 2035

# SEATTLE BEPS

## TIMELINE



## PENALTIES

Failure to meet Seattle BEPS deadlines will result in a **base fine of \$5,000 plus \$1 per square foot per day** while non-compliant. Penalties may accrue for up to 18 months.

# Real Cost of Non-Compliance

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## Operating Costs

Higher electricity costs increase operating expenses, reducing NOI and asset valuation.

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## Capital Spend

Poor-performing buildings may require significant retrofit investments, straining capital budgets.

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## Occupant & Investor Interest

Tenants, investors, and lenders are prioritizing efficiency, sustainability, and climate-related risk.

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## Building Valuation

Aging assets depreciate in value, and curb appeal. Energy efficiency adds value.

**Show Me  
the \$\$\$**



## USING PACE FINANCING TO PAY FOR:

### 1. YOUR RETROFIT

### 2. AS PART OF YOUR CAPITAL STACK

### 3. SEISMIC RETROFITS

#### **BENEFITS**

- **No cash out of pocket for retrofits - project cost covered by energy savings**
- Pay Assessment on property taxes
- Off-book financing for energy projects & seismic retrofits
- Loan terms range from 10 - 30 years

#### **HURDLES**

- Senior lender must approve PACE as first position

Assessment transfers with property if you sell (Benefit *and* Hurdle).

## GRANTS AND INCENTIVES WASHINGTON & SEATTLE

### CBPS

#### Tier 1 Early Adopter

- \$75 million allocated
- Covering up to 50% project cost

#### Tier 2 Early Adopter

- \$150 million allocated
- Covering potentially 100% of compliance cost

#### CBPS Grants

- Grant funding to reimburse costs of energy audits, benchmarking, EMPs, and O&M plans.

### BEPS

#### 2026 Building Decarbonization Grant Program

- Will help fund engineering design or capital retrofit projects for BEPS compliance.
- Applications will be open May 20 to August 10.

# WA CBPS & SEATTLE BEPS COMPLIANCE ROADMAP

1

## Report & Verify

Building performance

- Benchmarking Disclosure Compliance
- Third-Party Data Verification
- Benchmarking Consultation
- Building Performance Dashboard

2

## Plan

Energy improvements

- Building Performance Standards (BPS) Compliance
- Energy Management Plan (EMP)
- Operations and Maintenance (O+M)
- ASHRAE Level 1-3 Audits & RCx Reports
- Owner's Rep Services

3

## Capture

Incentives & tax benefits

- Incentive Management
- Tax Credits & Deductions
- Project Financing

4

## Maintain

Performance targets

- Post project M&V
- Ongoing benchmarking
- Utility Bill Analysis
- Energy Monitoring