ALEXANDRIA
Environmental Policy Commission

January 3, 2023

Mary Catherine Gibbs, Wire Gill, LLP
Melissa Schrock, HRP
Siobhan Steen, HRP
Michelle Change, HRP
Julianna Valle Velez, Gensler
Linda Toth, Arup

Dear Hilco Partners:

The EPC is pleased that Hilco Partners (Hilco) has reconsidered its Consolidated Sustainability Strategy (CSS) and hopes Hilco, Gensler and ARUP will consider the points raised in this letter. We urge the Planning Commission to ensure it does so in its review of the CSS during its February meeting.

The climate crisis is the single largest threat to the long-term health and prosperity of the City of Alexandria. Today in Alexandria, it is contributing to increased asthma rates in our children, property damage from flooding, increasing energy burden on our most vulnerable, and increasing tax burden to address all of these. It will not be possible to be the caring, kind, compassionate, fair, just, and equitable city that is an affordable, livable community for all if we do not implement effective actions to address this Emergency. This applies to those developing land in Alexandria along with those who live and work in our community.

To respond to the crisis, the City has taken the following actions:

1) July 2019, the City adopted a policy of reducing greenhouse gas (GHG) emissions by 50% by 2030 and 80-100% by 2050 in the Environmental Action Plan 2040 (EAP2040).
2) October 2019, the City declared a Climate Emergency recognized three critical facts demonstrating the urgency for action:
    - The cost to address emissions today is far less than the cost of not addressing them.
    - The climate crisis disproportionately burdens marginalized populations in Alexandria and worldwide.
    - It is estimated that $100 million to $250 million dollars of Alexandria property will be affected by a rise in sea level of one to five feet with many residents displaced, and

   in declaring the Emergency, the City committed to:
    - "ending Citywide greenhouse gas (GHG) emissions as quickly as possible"
    - "accelerating adaptation and resilience strategies" and
    - "being integral to and in the leadership of the mobilization effort."
3) March 2022, Council set its Strategic Priorities including these principles: equity, environmental justice, civility, transparency, respect, and service. (See attachment 1)

The EAP2040 found that 97% of the GHG emissions come from the **community** and 57% of that comes from energy use in **new and existing buildings**. Minimizing new building emission contributions to this total and retrofitting existing buildings are the two primary measures that will **"move the needle"**, and **are essential to our success in meeting the critical 2030 target**.

Unfortunately, Hilco's original Zero Carbon plan and its November CSS failed to meet the policy, principles and Emergency Declaration above when it comes to the energy efficiency and sustainability[1] of its buildings. Nor does it address how taking advantage of the incentives provided by the federal Inflation Reduction Act of 2022 will affect the cost and payback period for this development.

The EPC's primary request is that Hilco significantly reduce the Energy Use Intensity (EUIs) of its buildings. Hilco has retained excellent architects and sustainability development companies in Gensler and ARUP. Constructing buildings with much lower EUI than originally proposed is well within the capability of these firms. Further, the EPC's hopes that the revision also contains items 2 & 3 below since both are critical to Alexandria meeting its climate policy commitments and principles:

1) A plan that employs the current best practice used in large and medium sized buildings in other areas such as Philadelphia and New York[2] to create the most energy efficient buildings. The NY and Philly buildings have demonstrated an Energy Use Intensity (EUIs) for residential, multi-family units of around 20, thus reducing the energy burden on residents by 50% over that proposed in the original CSS with an EUI of 45.[3] By using an EUI of 20 in this development, Hilco could provide units that are more comfortable,[4] more resilient[5], and less noisy,[6] resulting in happier residents that move less often benefiting building management's profit margin. In addition, given our electric utility's recent strategic plan projects electricity costs to increase 53% over 2020 levels by 2030, using the current best practice of an EUI around 20, from the proposed 45, could cut the energy burden to residents in half again by 2030. Lastly, Hilco's plan to depend solely on a single source of failure (the de-carbonization proposal of our electric utility given the current political environment[7] to meet a zero carbon goal) relies on a strategy replete with disastrous consequences.

---

[1] The EPC uses the UN definition of sustainability: In 1987, the United Nations Brundtland Commission defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs."

[2] See https://www.youtube.com/watch?v=NKLciUsDeUI and https://www.youtube.com/watch?v=oHYQkvEBSyA

[3] Hilco should further check its math when it comes to its showing a 25% reduction in GHG emissions from the GBP (see their slide #20 provided at EPC's November meeting)

[4] High performance buildings (those that are the most energy efficient) have been demonstrated to be more comfortable (no wide swings in temperature or humidity), less noisy, require less use of pesticides thus improving indoor air quality and many other quality of life standards. See Footnote 2 above for more details

[5] High performance buildings maintain their optimal temperatures during electricals outages for much longer periods making them more resilient. See Footnote #2 above for more information.

[6] Given the proximity to Reagan National Airport, the buildings will likely employ air sealing to reduce the aircraft noise. This will also make them more energy efficient.

[7] Repeal of the Virginia Clean Economy Act may be dependent on the one seat majority in the Virginia Senate

2) A plan that does not just address the City's Green Building Policy, but also explains how the development will meet the City's Climate Emergency Declaration, the EAP2040 emissions targets, and Alexandria's Core Principles of equity and environmental justice.
3) A plan that details how it takes full advantage of the incentives provided in the federal Inflation Reduction Act of 2022 (IRA). This historic legislation will not help fight the climate crisis if no one takes full advantage of its funding streams. Taking full advantage of IRA funding will significantly reduce increased costs associated with items 1 and 2. In fact, by using the data provided by Hilco and the incentives from the IRA, our calculations show that Hilco could reduce the payback period of the added costs of employing an EUI of 20 for its residential units from 12 to 7.5 years. However, this ***ONLY*** includes the square footage incentives and no other incentives provided in the Act. (See attachment 2).

In conclusion, the EPC is pleased that Hilco accepted the EPC comments during our meeting. We are hopeful those comments will be taken to heart when preparing a revised CSS along with the points raised in this letter.

Hilco is in a unique position to take a highly polluting former coal fired power plant and convert it to a near net zero carbon site on this showcase site for the entire Washington metro area to see. We suggest that if our elected and appointed City officials truly mean that every proposal must be reviewed through an equity and environmental justice lens, then no proposal that doesn't take full advantage of the funding streams provided in the IRA should be approved by the City. We must never leave money on the table meant to protect our most vulnerable residents.

Sincerely,

Kathie Hoekstra

Kathie Hoekstra
EPC Chair

CC: Nate Macek Chair of the Planning Commission
Karl Moritz, Director of the Department of Planning and Zoning

Attachment 1

DRAFT ALEXANDRIA CITY CY22 STRATEGIC PRIORITIES

The principles of equity, environmental justice, civility, transparency, respect, and service shall apply to the following priorities and guide the direction of staff and policy decisions.

Recover from the COVID-19 Pandemic
We will advance the policies, practices, and resources needed to ensure a healthy, resilient, and equitable recovery for all residents and businesses.

Define our Community Engagement Approach
We will use both new and traditional outreach methods to ensure that engagement is efficient, effective, and accessible to all stakeholders, creating a clear connection between community input and its impact on policy decision, infrastructure needs, and financial considerations.

Develop a Compensation Philosophy
We will establish a new compensation philosophy to ensure we are the preferred workplace of choice and that our employees feel valued.

Provide Diverse Housing Opportunities
We will reconsider our zoning model and pursue other tools to facilitate an Alexandria housing economy with the necessary range of price points, safe and sustainable housing options, and the associated services to meet the needs of a thriving city.

Seek Tools to Foster Economic Development (see language in staff report) We will seek out and consider budgetary, land-use, and regulatory tools to foster sustainable and equitable development, diversify revenue, and allow greater investment in our infrastructure.

Support Youth and Families
We will explore how to expand academic, social, and emotional services and physical supports to all youth during the out-of-school time hours.

Our core services are always at the forefront to ensure that we are accountable and support a safe, vibrant, and liveable community.

Attachment 2

New Commercial/Multifamily Buildings

The Inflation Reduction Act

The Inflation Reduction Act provides historic investments to improve the energy efficiency and sustainability of existing buildings. That's important: Buildings account for nearly one-third of greenhouse gas emissions in the U.S.[1], where more than half of commercial buildings were constructed between 1960 and 1999[2]. To help, the IRA includes incentives for building high-performing and cost-efficient spaces, which better align with LEED standards. Here is a breakdown of those incentives.

- **Up to $5,000 per unit:** **New Energy Efficient Home Credit**
  - **WHAT:** Tax credit for builders and developers for new, energy-efficient housing, including single-family, manufactured, and multifamily.
    - **Amounts for developers of multifamily units:**
      - $5,000: For new multifamily units that are certified under DOE's Zero Energy Ready Home program and meet prevailing wage and apprenticeship requirements.
      - $2,500: For new multifamily units that meet ENERGY STAR and meet prevailing wage and apprenticeship requirements.
      - $1,000: For new multifamily units that are certified under DOE's Zero Energy Ready Home program, but do not meet prevailing wage and apprenticeship requirements.
      - $500: For new dwelling units that meet ENERGY STAR, but not prevailing wage and apprenticeship requirements.
    - **Amounts for developers of single-family and manufactured homes:**
      - $5,000: For new dwelling units that are certified under the U.S. Department of Energy's (DOE) Zero Energy Ready Home program guidelines.
      - $2,500: For new dwelling units that meet ENERGY STAR guidelines.
  - **WHO:** Eligible taxpaying homebuilders and developers.
  - **WHEN:** 2023 through 2032. (The previous version of the credit applies through Dec. 31, 2022).
  - **HOW:** This is a tax credit, which qualifying taxpayers receive when filing federal income taxes.
  - **LEED:** Projects that earn Zero Energy Ready Homes or ENERGY STAR certification automatically receive points towards LEED certification.

- **Up to $5.00 per square foot:** **Energy Efficient Commercial Buildings Deduction**
  - **WHAT:** Tax deduction of between $2.50 and $5 per square foot for commercial buildings including multifamily residential buildings (new or retrofits) that meet certain energy efficiency performance requirements.
    - **Requirements:**
      - For new construction: Buildings must achieve 25% better performance than the IRS specified ASHRAE 90.1 standard for $2.50 per square foot, with a gradually increasing deduction up to $5 for achieving 50% better performance than ASHRAE 90.1.
      - For full eligible deduction: Projects must meet prevailing wages and apprenticeship programs, or they receive a lower deduction of 50 cents to $1 per square foot.
      - For existing buildings (five years or older): See "Existing Commercial/Multifamily Buildings" factsheet for alternative option.

- **WHO:** Eligible entities are commercial building owners, real estate investment trusts, etc. Public buildings and tax-exempt entities (municipalities, universities, nonprofits, churches, school systems, etc.) can access the deduction by transferring it to the project designer.
- **WHEN:** There is no statutory expiration date for this deduction, so it is in effect permanently unless repealed..
- **HOW:** This is a tax deduction, which qualifying taxpayers receive when filing federal income taxes.
- **LEED:** Funding supports projects in achieving LEED prerequisite and energy optimization credit. The Arc platform supports energy performance tracking and offers verification through LEED for Existing Buildings.

- Up to 50% of cost: **Investment Tax Credit for clean energy investments**
    - **WHAT:** Tax credit of up to 30% of cost of solar, geothermal, combined heat and power, storage and other clean technologies. Most projects must meet wage and apprenticeship requirements or incentive drops to 6%. Credit boosted to 40% if domestic content requirements are met and to 50% if project meets location requirements. Converts to a tech-neutral structure in 2025 with similar incentives based on GHG reduction.
    - **WHO:** Taxpaying property owners (office, retail, etc.) who purchase eligible technologies. Entities without tax liability (governments, nonprofits, utility coops, etc.) can take direct payment of the tax credit.
    - **WHEN:** Full value through 2032, with reduced-credit phasedown from 2033-2035.
    - **HOW:** This is a tax credit, which eligible/qualifying taxpayers receive when filing their federal income taxes.
    - **LEED:** Aligns with LEED credits for renewable energy, resilience and energy optimization.

---

1 U.S. Environmental Protection Agency, "Inventory of U.S. Greenhouse Gas Emissions and Sinks," April 2022

2 U.S. Energy Information Administration, "2018 Commercial Buildings Energy Consumption Survey," November 2020, slide 4