



What Will It Take?

Developing Carbon-Free Buildings

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SPEAKERS



FERNANDO ARIAS
Director of Sustainability, Clark Construction Group,
Co-host



THERESA BACKHUS
Associate Director, Building Innovation Hub, *Co-host*



SANDRA ADOMATIS
Incoming Vice President, Appraisal Institute



DAVID EDSEY
Climate Director, Zurich North America



SONJA WELLS
Chief Lending Officer, CityFirst Bank



ADRIAN WASHINGTON
Founder, Neighborhood Development Company

The Hub and Clark Construction Group recently hosted a conversation on the role building development plays in energy use and carbon emissions, the third event in the series, **“What Will It Take? The Path to 2050 And Carbon-Free Buildings”**. Theresa Backhus of the Building Innovation Hub set the stage explaining the need to think beyond compliance to leverage buildings as a tool for climate action, but that there is a challenge of segmentation within the building industry. Fernando Arias, from Clark Construction, moderated the discussion. The robust and insightful discussion is worth watching in its entirety, but here are five of the key takeaways:

1. Government needs to regulate and incentivize action to send signals to the market and drive behavior change.

Adrian Washington of the Neighborhood Development Company argued that government needs to step in because climate pollution is an externality that the market is not accounting for, and therefore incentives are necessary to motivate people to make investments in building performance. David Edsey of Zurich North America agreed and said that government support allows markets to mature and plays a critical role in researching new materials, such as carbon-intensive concrete and steel.

By the middle of the century, the built environment in the world is going to double. When you think about that, it really makes the embodied carbon of buildings so much more significant.

— DAVID EDSEY

We have an opportunity to save the world. And I mean, unless you're a member of the Avengers or the Justice League, I mean, how often do you get that?

— ADRIAN WASHINGTON

2. People need to understand the benefits of high-performing buildings to be willing to pay more for them

Sandra Adomatis from the Appraisal Institute said there's a misconception that appraisers add value versus representing market value. Washington pointed out that consumers are still attached to older technologies, particularly gas appliances, which can make it difficult to get a better price for fully-electrified properties. She asserted that people don't always think about the total costs of buildings, which include things like climate risk and potential noncompliance with future carbon legislation.

One challenge on the development side is that the industry puts more emphasis on "first costs," because they are more certain, and less value on long-term operating costs, which are where the economic benefits of better building performance improvements are recognized. Sonja Wells from CityFirst Bank explained that this makes it difficult for banks to achieve the desired loan-to-value ratio, which is only improved by either higher valuation or by lower costs.

3. We need more disclosure of carbon emissions, both operating and embodied, and to communicate why they matter.

Edsey said that many companies haven't yet made emission reduction commitments, but that they are necessary to address the urgency of climate change, and they should include both embodied and operational carbon. Changing course means addressing new building materials as well as the operating efficiency of existing buildings. However, there needs to be a more standardized way of disclosing the embodied carbon in materials and whole buildings.

4. We need to preserve green value for the long term to make sure information transfers with the property.

There's no standard for how building performance information is stored, so once a building has been sold to a new owner, details about solar system capacity or other sustainable building improvements can be lost. Adomatis said we need a protected way to transfer information, suggesting that storing information inside of the electrical panel using a barcode, for example, would be a natural fit. Wells argued we need a database equivalent to a "CarFax for buildings" so we can see building asset value and physical alternations even 10 or 20 years later.

5. We need to each take the lead in coordinating and educating across disciplines to break down silos and properly value high-performing buildings.

The conversation revealed that there are system barriers to appraising green buildings or building improvements for greater value. Adomatis said there are under-utilized trainings for appraisers that help them understand how appraisers can show the added value of better building performance, and mentioned available [resources for all stakeholders](#). Wells asserted that lenders need to be better educated about the value of sustainable projects, and about resources, such as databases of appraisers with experience valuing green properties. Lenders could also offer lower rates for energy- and emission-savings projects. Owners and developers need to ensure their property improvements are recorded in a database used by appraisers, such as EarthAdvantage for residential properties. It's critical to get everyone in the room, and using the same language, to understand their role in making the system work in favor of higher-performing buildings.



SPEAKER PROFILES

SANDRA ADOMATIS

Vice President, Appraisal Institute

Sandra K. Adomatis, SRA of Punta Gorda, FL is the 2022 incoming vice president of the Appraisal Institute. Adomatis is the principal of Adomatis Appraisal Service in Punta Gorda, FL. She specializes in residential valuation, green construction, solar photovoltaic systems, and expert witness testimony for assignments that include eminent domain, construction defects, bankruptcy, and fraud litigation cases. She authored the book, “Residential Green Valuation Tools” and has published in the Appraisal Journal. Adomatis has received numerous Appraisal Institute Awards, including two lifetime achievement awards; the Swango Award; Outstanding Service Award; President’s Award; Dr. William N. Kinnard Junior Award; and Region X Volunteer of Distinction.

DAVID EDSEY, J.D.

Vice President, Climate Director, Zurich North America

David Edsey is Zurich North America’s (ZNA) Climate Director, responsible for identifying and developing insurance products and service solutions to address climate change mitigation and adaptation, and providing thought leadership on climate change risk, mitigation, and resiliency strategies. Edsey has been with Zurich for 14 years, including roles on the Property Technical Underwriting Team and the Claims Legal group. Prior to joining Zurich, Edsey worked as a litigator and coverage counsel at several Chicago area law firms. He has significant experience with insurance for the commercial real estate and construction sector, most recently in developing a construction weather parametric insurance policy.

ADRIAN WASHINGTON

Founder and CEO, Neighborhood Development Company

Adrian Washington has over 30 years of experience in urban real estate development, construction and management. Mr. Washington founded NDC in 1999 and served as President from 1999-2005. From 2005 to 2007, he then served as the President and CEO of the Anacostia Waterfront Corporation (AWC), the entity charged with leading a \$10 billion, 20 year initiative to revitalize Washington, DC’s Anacostia Waterfront and surrounding communities. Mr. Washington grew up in the Anacostia neighborhood and is a lifelong resident of DC. He has a B.S. in Economics and Political Science from Stanford University and an MBA from Harvard University.

SONJA SANDERS WELLS

Executive Vice President and Chief Lending Officer, City First Bank

Sonja Sanders Wells has over three decades of experience in commercial lending. She is responsible for the strategic direction of the Commercial Banking Group and is the bank’s brand ambassador. Prior to joining City First Bank; Sonja was a Vice President and Senior Relationship Manager at M&T and a Business Banker for First Union Bank/Wachovia.

Sonja is a member of DC Chamber of Commerce, Jubilee Baltimore, Inc., the African American Real Estate Professionals, the Southeast Community Development Corporation, Wildflower Public Charter School’s Board of Directors, and the Maryland Casino Business Investment Fund’s Loan Committee. Sonja has also been active in numerous local professional and community organizations.

The only way that we can hope to get [more sustainable buildings] is that you get increased financial performance based on either higher lease rates or lower energy costs.

— SONJA WELLS

Being ahead of the game with estimating your carbon loading or carbon budget on the embodied and on the operating side is a smart way of mitigating the risk of being exposed to penalties, fees, and other things that may come along as policy evolves.

— FERNANDO ARIAS