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'We Just Can't Rely On Altruism': The Hunt for Profits In Sustainable Investing

By Miriam Hall and Kelsey Neubauer

There are few global issues more urgent than the climate crisis, but making meaningful changes in building development and design is slow going.

The answer will be a mix of regulations, incentives and finding ways to make it lucrative for the industry, experts said at *Bisnow's* Sustainable Development and ESG Investing event Thursday.

"We're going to have to cause people to do it for selfish economic reasons," [Boston Properties](#) Vice President of Sustainability Ben Myers said at the event. "I think 5% of the market moves on altruism. We just can't rely on altruism and doing the right thing."

*For real change to happen, the commercial real estate industry needs to make a profit to embark on these projects, **New York Housing Partnership Development Corp. Executive Vice President Esther Toporovsky** said.*

In New York, the pressure is on. Starting as early as



Bisnow/Miriam Hall

Ecosystem Energy Services' Adam Shelly, Boston Properties' Ben Myers and **NYC Housing Partnership's Esther Toporovsky**

2024, building owners could face hefty fines if they don't reduce their buildings' emissions. [Local Law 97](#) establishes caps on greenhouse gas emissions for buildings 25K SF and over citywide — it could cost building owners [up to \\$20B](#) collectively, according to an analysis by The Urban Green Council.

Since the law was enacted in 2019, the biggest players in the industry have largely [railed against it](#). Many lobbied for it to be amended, claiming that the law lacked nuance and put too much of a burden on landlords. Durst Organization Chairman Douglas Durst [said in April that the law punished landlords](#) who have already made their buildings more energy-efficient, while others have said that the law doesn't account for end users' energy consumption.

Supporting occupiers to make improvements is a key part of Blackstone's sustainability strategy, Blackstone Real Estate Global Head of ESG [Eric Duchon](#) said at the event.

"We believe we can move the needle on 'E' in the majority of our investments, but we also recognize our tenants play a large part in controlling that energy," he said. "We look to partner with our tenants in order to drive that needle ... when you're talking to a 3PL logistics [tenant], they may be operating on smaller margins, and driving an LED lighting retrofit could actually substantially improve their bottom line."

Regardless of landlords' views on the law, the regulations are forcing the industry to talk about their role in addressing climate change in a more concrete way, Myers said.

"We're largely supportive of these regulations. We realize and recognize that we need to set minimum standards for real estate operations in order to achieve our climate goals as a country," he said. "What I think it's done for us, it's reduced the abstraction of greenhouse gas emissions. Talking about kilograms of carbon dioxide equivalent per square foot to a boardroom was not something they'd do five or six years ago. It was about saving polar bears, it wasn't about FFO."

For Sarah Welton, the U.S. business growth director at London-based Longevity Partners, reducing energy is about smart design — encouraging users to make more efficient choices purely because it's worth it.

"We should make it easy for people to make the right decision to use less energy and to be smarter about their choices when it relates to energy," she said. "If we set up a space that allows us to take a beautiful set of stairs up to the third floor, we're going to do it."

But for real change to happen, the commercial real estate industry needs to make a profit to embark on these projects, New York Housing Partnership Development Corp. Executive Vice President Esther Toporovsky said.

"It's a very good question: How do you make money on this stuff?" she said. "What I have found is that when you create a model where there can be actual revenue generated from this stuff — that looks like real estate, smells like real estate, feels like a real estate deal — people sign the dotted line."

Right now, there are many existing supportive organizations and incentive schemes that simply need to link up to get this done, Toporovsky said.

"There's a lot of these clean energy funds, you've got green banks in the world, New York has an incredible infrastructure capital for affordable housing, for clean energy, and right now, it's not necessarily working well together to help folks get there," Toporovsky said. "So how's it going to happen? People are still asking questions ... how do you make those things sort of come together to get folks to where they need to go?"