

SENATE BILL REPORT

HB 1976

As of February 24, 2024

Title: An act relating to changing the incentive structure for tier 1 and tier 2 buildings.

Brief Description: Changing the incentive structure for tier 1 and tier 2 buildings.

Sponsors: Representatives Fosse, Doglio, Fitzgibbon, Ramel, Reed, Lekanoff, Reeves and Pollet; by request of Department of Commerce.

Brief History: Passed House: 2/7/24, 97-0.

Committee Activity: Environment, Energy & Technology: 2/14/24, 2/20/24 [DP-WM].
Ways & Means: 2/24/24.

Brief Summary of Bill

- Authorizes the Department of Commerce to provide higher incentives under the Early Adoption Incentive program for buildings that comply with the State Energy Performance Standard.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Nguyen, Chair; Lovelett, Vice Chair; MacEwen, Ranking Member; Boehnke, Lovick, Short, Trudeau and Wellman.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: State Energy Performance Standard. In 2019 the Legislature enacted the

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Clean Buildings Act, which required the Department of Commerce (Commerce) to establish by rule a State Energy Performance Standard (Standard). The Standard seeks to maximize reductions in greenhouse gas emissions from the building sector. The Standard includes energy use intensity targets by building type, and methods of conditional compliance that include an energy management plan, operations and maintenance program, energy efficiency audits, and investments in energy efficiency measures designed to meet the targets.

Tier 1 Buildings. Tier 1 covered buildings, also referred to as covered commercial buildings, must comply with the Standard. Tier 1 buildings include existing buildings where the sum of nonresidential, hotel, motel, and dormitory floor areas exceeds 50,000 gross square feet, excluding the parking garage area.

Compliance with the Standard, and reporting for Tier 1 buildings is tiered, and begins June 2026 for buildings greater than 220,000 square feet.

Tier 2 Buildings. In 2022 the Legislature expanded the Clean Buildings Act to include Tier 2 covered buildings, which include multifamily residential, nonresidential, hotel, motel, and dormitory floor areas that are greater than 20,000 square feet and less than 50,000 square feet, excluding the parking garage area. Tier 2 buildings also include multifamily residential buildings where the floor areas are equal to or greater than 50,000 square feet, excluding the parking garage area.

The 2022 law requires all Tier 2 buildings to report on benchmarking, implementation of energy management plans, and operations and maintenance programs. Commerce must complete rulemaking for Tier 2 buildings by December 2023. Reporting for Tier 2 buildings begins by July 1, 2027.

Early Adopter Incentive Program. The Standard includes an early adopter incentive program for Tier 1 building owners who comply with the Standard, or Tier 2 building owners that demonstrate compliance with benchmarking, energy management, and operations and maintenance planning requirements.

Tier 1 or multifamily building owners can receive a base incentive payment of \$0.85 per gross square foot of floor area. Tier 2 building owners can receive a base incentive rate of \$0.30 per gross square feet of floor area. Incentive payments exclude parking, unconditioned, or semiconditioned spaces. Commerce may not approve incentive payments that exceed a total of \$75 million for Tier 1, or exceed a total of \$150 million for Tier 2.

Summary of Bill: Commerce may provide incentives greater than the base incentive payment for upgrading Tier 1 and Tier 2 buildings.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Environment, Energy & Technology): PRO: This bill provides Commerce with the authority to better utilize incentives and makes small but significant changes to the Clean Buildings Program. It will get incentives in the hands of those who need it. The current incentive is a barrier to accessing funds, covering only 2 to 3 percent of costs. Only seven applicants have applied to date. The bill would allow Commerce to increase resources for building owners, especially for those under-resourced and in overburdened communities.

Persons Testifying (Environment, Energy & Technology): PRO: Representative Mary Fosse, Prime Sponsor; Emily Salzberg, Washington Department of Commerce.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: The early adopter incentive program was put in place to help offset some of the costs of complying with the Clean Buildings Act. The incentive program has not had a high rate of usage and has only received seven applications to date. The amount of incentive payments ends up covering 2 to 3 percent of the total project costs. Greater flexibility in setting incentive payment amounts will make more buildings interested in taking part in the program and utilizing this incentives that the state has already budgeted.

Persons Testifying (Ways & Means): PRO: Dave Pringle, Dept. of Commerce.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.