

October 17, 2024

Mr. Peter Campbell
Planning, Rule Development, and Implementation
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765
Email: pcampbell@aqmd.gov

Re: Comments on PAR 1111 and PAR 1121

Dear Mr. Campbell,

NAIOP SoCal appreciates the opportunity to provide comments on Proposed Amended Rule 1111 – Reduction of NOx Emissions from Natural-Gas-Fired Furnaces (PAR 1111) and Proposed Amended Rule 1121 – Reduction of NOx Emissions from Small Natural-Gas-Fired Water Heaters (PAR 1121).

With nearly 1,300 Members, NAIOP SoCal is the leading nonprofit organization for commercial property owners, developers, owners, investors, brokers, general contractors, architects, engineers and finance professionals in the industrial, office, retail, and mixed-use multifamily real estate sectors across the counties of Los Angeles and Orange.

Our Members are committed to reducing their carbon footprint while meeting the needs of our tenants. Installation of solar energy panels, energy efficient lighting controls, outdoor water conservation devices and other energy-reducing measures can be found throughout the region on commercial and industrial buildings. And, due to updates to California’s building codes, commercial and industrial properties are much more energy efficient than similar properties built several decades ago.

NAIOP SoCal is concerned that the proposed rules do not consider issues facing commercial and industrial real estate property owners and our tenants. The fact that commercial property owners are not considered an affected industry by the District staff highlights this concern. The Preliminary Draft Staff Report for PAR 1111 and PAR 1121 states that the proposed regulations would affect “manufacturers, distributors, retailers, resellers, and installers” of natural gas-fired furnaces and water heaters. We believe that commercial and industrial property owners and their tenants should also be considered an affected industry since they will eventually shoulder the costs of complying with the regulations.

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In addition, we are concerned that the socioeconomic analysis to be conducted by District staff will be flawed and will not represent an accurate picture of the costs to comply with the proposed regulations, since our industry is not considered an affected industry and impacts to our industry may not have been included in the analysis.

For example, office buildings built in the 1970s were built without central heating and air. Property owners would be faced with large expenses to retrofit such buildings in order to comply with PAR 1111 and PAR 1121.

Another example will be the expenses required to retrofit more commonly installed "split systems." These types of systems usually have one portion of its unit outside and the other mounted on the inside. An increase in capital expenses on buildings with existing AC will be the replacement of these split systems, since the building owner will not be allowed to replace just the heater if the heater fails. They will be required to replace both sides of the "split system" – the piece mounted indoors and the piece mounted outdoors.

Who is expected to pay for the new furnaces and water heaters? Who is expected to work with the utilities to make sure new electrical hook-ups can be made in a timely manner for new tenants to occupy a property? The likely answer: Commercial property owners. We urge the District to incorporate the costs and potential delays in occupancy for new tenants as part of the accompanying socioeconomic analysis.

Finally, NAIOP SoCal is concerned that the proposed rules assume that electrical utility providers will be able to meet the increased demand for electricity, which will be created by this shift from natural gas equipment to electrical equipment. NAIOP SoCal is concerned that the current electrical infrastructure system does not have the capacity to meet the additional demand that will be created on the system due to the proposed rule.

We urge the District to revise PAR 1111 and PAR 1121 to provide commercial property owners greater flexibility and time to deal with already existing leases set to renew by the end of 2026, or until such time that our local utility provider informs property owners concerned about occupancy delays that the utilities can accommodate new electrical hook-ups, which would be required due to the installation of a new system.

We welcome the opportunity to meet with the District to further discuss our concerns with PAR 1111 and PAR 1121 and provide examples as to how the proposed rules would impact our Members. For further information, please contact Mihran Toumajan, mtoumajan@naiopsocal.org or 818-817-1714.

Sincerely,

A handwritten signature in black ink that reads "Timothy Jemal". The signature is written in a cursive style with a large, stylized initial 'T'.

Timothy Jemal
CEO
NAIOP SoCal