Green Buildings

Financial, Market Incentives Driving Green Buildings

Economic incentives will create opportunities for constructing and renovating green buildings, panelists at a sustainable property transactions conference said Nov. 14.

Tax credits, energy savings from efficiency, and market desires are driving the move to adopt sustainability principles in designing and renovating buildings, said Mark J. Bennett, senior counsel in the climate change practice at Miller Canfield in Detroit.

Miller Canfield is starting to conduct lease audits for clients with substantial lease holdings "to find ways where we can squeeze money based on sustainability issues," Bennett told an RTM Communications-sponsored conference on sustainable property transactions in San Francisco.

Potential economic incentives, utility-sponsored programs, tax credits, grants, and tax deductions associated with renewable energy investment provide returns on investments, Bennett said. "Clients love it."

Las Vegas was offering a 50 percent rebate on property taxes for commercial green buildings, said Grant French, corporate sustainability manager for commercial builder Swinerton Inc.

French said it is a risk-management strategy to address efficiency issues due to savings realized, climate change, and market perception.

"If you're holding on to significant amounts of real estate and the market's moving and you don't anticipate that, you're going to be at a competitive disadvantage," French said.

Lawrence Schnapf, special counsel to Schulte Roth & Zabel LLP in New York City, called existing buildings "the pressure point for greenhouse gas reductions."

"New buildings and government buildings are not going to get us to our goals of reducing greenhouse gas emissions," Schnapf said.

The U.S. Green Building Council estimates that commercial buildings account for 39 percent of total energy consumption, 71 percent of electric consumption, 39 percent of carbon dioxide emissions, 30 percent of waste output, and 12 percent of potable water consumption, said Amy Edwards, a partner with Holland & Knight LLP in Washington, D.C.

"We talk a lot about the power plants, but guess what? Buildings are emitting a whole lot more greenhouse gas emissions than industrial or transportation" sources, Edwards said.

The number of green buildings being built is growing at a 75 percent rate for the past five years and "because of the financial value and social value, I think you're going to see green buildings on steroids," said Michael Italiano, president and chief executive officer of Market Transformation to Sustainability and CEO of the U.S. Green Building Council.

Companies need to "move fast because existing buildings that aren't green are going to be devalued," said Italiano.

The U.S. Green Building Council's Leadership in Energy and Environment Design score rates buildings on their design, construction, and operation. A higher LEED score reflects building efficiency and can translate into lower operating costs, speakers said.

While it costs 2 percent to 7 percent more to achieve a LEED Platinum rating, or a rating of 52 out of a possible 69 points, Swinterton's French called the costs "very manageable."

The increased costs translate to productivity gains from a more comfortable environment, and over a 20-year term, the net benefit is $49.90 per square foot, French said.

A New Buildings Institute study released last spring, comparing 120 LEED-certified buildings to buildings of the same vintage, found the LEED buildings on average had 25 percent to 30 percent lower utility costs, and platinum-rated buildings performed 50 percent better, French said.

After Swinerton renovated its downtown San Francisco office, the company saved $40,000 annually after an 18-month payback, he added.

Speakers at the three-day conference also said to expect more GHG legislation nationally and locally. More than 130 states, cities, and municipalities have LEED requirements, including Los Angeles, San Francisco, and San Jose, Calif., which mandated LEED to private and public buildings, said French.

Schnapf said mandatory requirements likely are "because if we don't do it, we're not going to have enough development in buildings in the next couple of years" to reduce emissions. In New York City alone, 79 percent of GHG sources are buildings, he said. "If you want to make a severe dent in reductions, you have to tackle buildings," Schnapf noted.

Bennett forecast "there's going to be big spending" through renewable energy credits and incentive programs for green buildings with "lots of money coming into this space."

Edwards said to expect litigation over standards that cities have adopted and compliance certification issues. She also recommends looking at GHG requirements as part of the traditional diligence for commercial buildings. "There could be some fairly significant adverse implications such as losing tax credits or not being able to get your certificate of occupancy," she said.

Conference Calendar

Dec. 3-5: "Clean Air: Law, Policy, and Practice," Washington, D.C.; ALI-ABA; 4025 Chestnut St., Philadelphia, Pa. 19104-3099; $1,099; (215) 243-1630; Fax: (215) 243-1664; Web: http://www.ali-aba.org.

Jan. 8-10, 2009: "Eminent Domain and Land Valuation Litigation," Miami Beach, Fla.; ALI-ABA; 4025 Chestnut St., Philadelphia, Pa. 19104-3099; $1,249; (215) 243-1630; Fax: (215) 243-1664; Web: http://www.ali-aba.org.

Jan. 15-17, 2009: "Commercial Real Estate Financing: Strategies for Changing Markets and Uncertain Times," Miami, Fla.; ALI-ABA; 4025 Chestnut St., Philadelphia, Pa. 19104-3099; $1,249; (215) 243-1630; Fax: (215) 243-1664; Web: http://www.ali-aba.org.

Feb. 4-6, 2009: "Environmental Law," Washington, D.C.; ALI-ABA; 4025 Chestnut St., Philadelphia, Pa. 19104-3099; $1,149; (215) 243-1630; Fax: (215) 243-1664; Web: http://www.ali-aba.org.

EDDG ISSN 1931-6615