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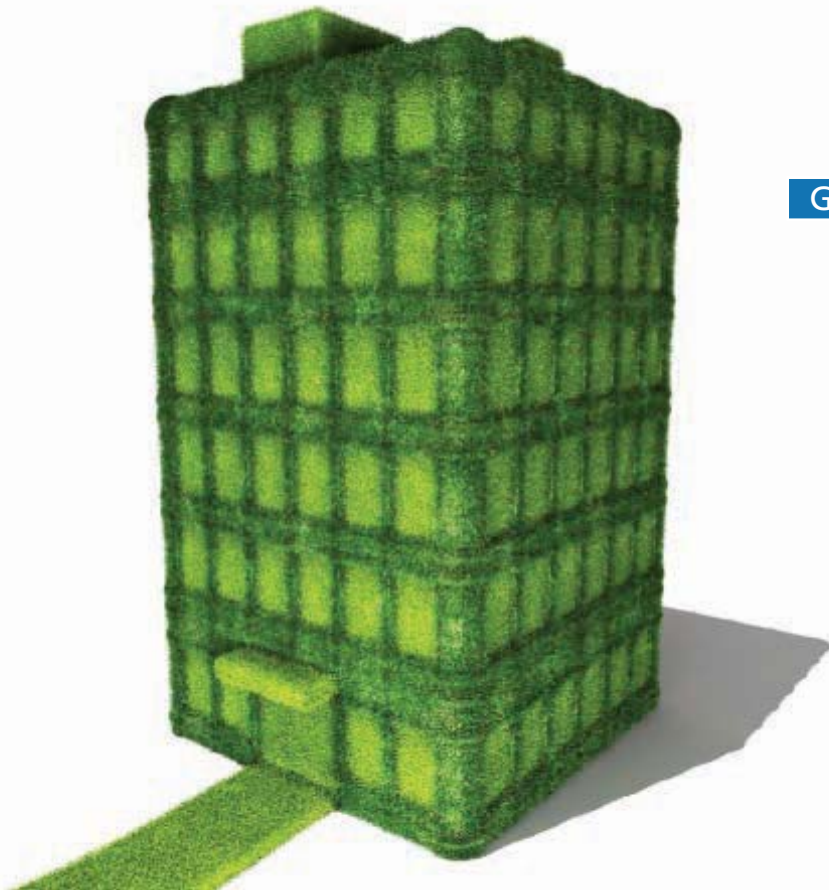
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**REGIONAL  
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SASKATCHEWAN  
AND MANITOBA

**RENEWABLE  
ENERGY 2009**



# WHAT IS THE REAL VALUE OF GREEN BUILDINGS?

In addition to being good for the environment, LEED-certified buildings assist in retaining and attracting talent.

By Ada M. Healey

Today, it is becoming more commonplace to see “green” advertising linked to everything from cleaning products to moving companies. In fact, you’d be hard pressed to find any industry that hasn’t engaged in some “green washing” while promoting their products or services. But nowhere is it more important to cut through the rhetoric and get down to the heart of sustainability than in real estate. The development industry is in the position to make a real, quantitative difference — not just for the environment but for stakeholders and employees as well.

Buildings in the United States account for about 39 percent of the country’s energy consumption and approximately 38 percent of the nation’s carbon dioxide emissions. While mainstream green building is relatively young, it’s gaining steam fast. According to McGraw-Hill Construction’s report “*Green Outlook 2009: Trends Driving Change*,” “the overall green building market (both non-residential and residential) is likely to more than double from today’s \$36-49 billion to \$96-140 billion by 2013.”

Developers who do not add sustainable buildings to their portfolio could very well find themselves obsolete.

## Government Leading By Example

One of the key drivers of the green building industry includes local government regulations. Seattle has taken a particularly strong leadership position in this area. Seattle is one of the top cities in the nation for LEED facilities, and the city of Seattle is expected to become one of the largest single owners of LEED facilities in the world by 2013. This achievement was spurred by the city’s adoption of the Sustainable Building Policy in 2000. The following year, the city adopted the Kyoto Protocol, an international effort to reduce greenhouse gases. As of 2005, Seattle produced 8 percent less CO<sub>2</sub> and other gases than it had 15 years earlier.

According to C40 Cities, a partnership between the Clinton Climate Initiative and the Large Cities Climate Leadership Group, “the 10 strongest green building markets in the nation are in cities that have established public

policies that promote green building.” In January 2007, Seattle led the United States in the number of certified LEED buildings with 26 projects within the city limits, representing more than 8.1 million square feet and more than \$2 billion in capital investments. Less than three years later, Seattle has 79 commercial and multi-family buildings that are LEED certified, 15 of which are city owned.

### **Growing Momentum For LEED Buildings, Neighborhoods**

Even owners of our country’s most iconic buildings — the Empire State Building and the Willis Tower (formerly the Sears Tower) — have taken note. This year, both announced high-profile, high-performance “green” renovations. As part of its retrofit, the Empire State Building is targeting LEED Gold certification, with a goal of cutting energy costs by 38 percent and saving tenants millions each year in avoided energy costs.

Designed by the United States Green Building Council (USGBC), LEED is one of the industry’s most dominant green building standards. It recognizes performance in categories such as site selection and management, water efficiency and energy use, materials and resources selection and application, indoor air environment quality, and existing infrastructure and innovation. Launched in 1998 as a pilot program, it was officially released in 2000 as LEED 2.0 or LEED Green Building Rating System for New Commercial Construction and Major Renovations. In a relatively short amount of time, the program has matured to also include initiatives such as Existing Building Operations, Commercial Interiors, and Core and Shell Projects, as well as two pilot programs currently under development, Homes and Neighborhood Development (LEED-ND).

Seattle’s South Lake Union neighborhood is one of only 238 communities in the country that has been accepted into the USGBC’s LEED-ND pilot program. The program promotes the location and design of neighborhoods that reduce reliance on cars, provide convenient access to jobs and services by walking or public transit, and promote more efficient energy and water use. The city of Seattle anticipates that South Lake Union will earn a LEED Silver certification at minimum, becoming one of the first certified green neighborhoods in the nation.

Likewise, the majority of new real estate projects in the South Lake Union neighborhood built by Seattle-based developer Vulcan Real Estate have earned or are expected to earn LEED certification, including Alley24 (one of Seattle’s first LEED certified mixed-use projects); Westlake/Terry Building (Seattle’s first private sector new construction office building to earn LEED Gold); and 2201 Westlake (Seattle’s first mixed-use and high-rise residential project to earn LEED Gold).

### **Attracting World-Class Tenants**

Richard Florida, author of the influential book *The Rise of the Creative Class*, notes that the creative class can be the key to fueling economic growth in a city. Listing Seattle as one of the top 10 creative cities in the nation, Florida noted that this demographic tends to be early adopters, capable of seeing around corners and less resistant to change.

LEED-certified green buildings help attract creative-class tenants who also hold those same sustainable-minded values as a company and want their offices to reflect that commitment. The South Lake Union neighborhood is home to diverse pioneering organizations with a clear

## **TECHCITY: GREEN REDEVELOPMENT AT ITS FINEST**

At the TechCity eco-village development in Kingston, N.Y., the goal during the next five years is to be independent of the energy grid so that companies can use renewable energy resources. To that end, the 260-acre site’s developers, TechCity Properties Inc., will create a five megawatt solar farm on the property, a former IBM campus. Solar organizations located at TechCity include EarthKind Energy, Inc. and the Solar Energy Consortium, New York state’s leading green technology initiative, an industry resource for companies to tap into.

TechCity is located two hours outside of New York City, and is halfway between the city and Albany. The site features 2.5 million square feet of facilities, with a 1-million-square-foot industrial park as the centerpiece of the property, where renewable energy and related businesses would be well suited to conduct business.

TechCity espouses “green” throughout the redevelopment, and is one of the largest green redevelopments in North America. “We are decommissioning those parcels on the property that were large energy consumption machines

that were very expensive and polluted the air,” says Alan Ginsberg, chairman and owner, TechCity Properties. “This property was driven through a power plant, which had massive equipment to generate heat and air conditioning. All the systems were integrated within this mega facility.”

It took Ginsberg’s team a year to close the plant. In doing so, the development has reduced its carbon footprint by eliminating 100 tons of pollutant emissions per year, as well as reducing its energy consumption by \$1 million a year. “We have reduced energy, and created a more modern, functional and energy-efficient system so that tenants that move onto this property will have the best of the best,” Ginsberg says. “We have tried to create a center where people can live, work and play — a community on to its own, which will reduce the requirement of people traveling, which they had done in this location, taking two hours to get to work.”

To learn the complete details of the TechCity redevelopment, visit [www.techcityny.com](http://www.techcityny.com).



preference for working in green buildings including Amazon.com, Microsoft, Group Health Cooperative, Seattle Biomedical Research Institute and the University of Washington's School of Medicine, among many others.

Upon completion, the Alley24 project had attracted high-quality tenants at competitive rental rates from three major creative powerhouses, including the headquarters for a global architecture firm (NBBJ); advertising/PR agency (WPP); and general contractor (Skanska). Alley24's tenants all subscribe to a philosophy of environmental responsibility, with many of the tenants noting that the building's sustainable innovations played a key part in their decision to lease space.

2201 Westlake completed construction in July of this year. The 450,000-square-foot, mixed-use project includes 300,000 square feet of high-performance, Class A office space, luxury condominiums and 24,000 square feet of street-level retail amenities. In July, leading global health nonprofit PATH leased 112,000 square feet of the office space for its new corporate headquarters. The project met PATH's criteria, including value in the short and long term, an environmentally friendly building with proximity to public transportation, the flexibility of work space to meet PATH's current and future growth needs, and the nearby availability of a variety of housing options to meet the needs of PATH's employees.

### **Improving Bottom Line Performance**

In addition to supporting a company's environmentally responsible philosophy, sustainable buildings can improve

a company's financial performance. The USGBC reports that sustainable building values are estimated to carry a value premium of 7.5 percent, and because the buildings consume less energy, the cost to operate them decreases as well — by 8 percent to 9 percent according to the USGBC.

Since occupying the building in 2006, Alley24 tenants have reported dramatic changes in employee comfort and productivity compared with their previous offices. Some tenants are reporting a 30 percent decrease in sick days while others have recorded significant growth and record-breaking revenue. NBBJ has reported a 10.3 percent increase in net fee revenue per full-time employee since moving into its space, and Skanska reports a 30 percent decrease in sick days.

Rising energy and operating costs, escalating consumer pressure and growing corporate eco-values all are encouraging real estate industry leaders to deliver high performance, sustainable buildings. Those developers and companies who build or lease green office space will be one step ahead of the competition and better positioned to attract a desirable, productive workforce that is the backbone of economic growth and recovery. ■

*Ada M. Healey is the vice president of real estate at Vulcan Inc. Vulcan Real Estate manages a diverse development portfolio that includes nearly 60 acres in Seattle's South Lake Union neighborhood. To learn more, visit [www.vulcanrealestate.com](http://www.vulcanrealestate.com).*