

## **The Effect of “Green” on Commercial Developers and Owners**

Publicity is accelerating about the trend towards “green” building. More than mere publicity, however, the trend towards building green or converting existing commercial buildings to green is quickly becoming a mandate, especially in California. While so far the trend to green commercial building has been more hype than reality, due primarily to the costs involved in green building measures or smart building technology – sometimes the economic benefit just is not there - government regulation is pushing the industry inexorably in that direction.

### **What is “Green?”**

The U.S. Green Building Council has developed one of the primary rating and third-party certification systems for green building. Its Leadership in Energy and Environmental Design (LEED) standards rate both existing and new construction in categories including:

- sustainable sites
- water efficiency
- energy efficiency
- materials selection
- indoor environmental quality, and
- innovation and design.

The LEED system is becoming widely accepted because of its comprehensiveness. Other systems include the Green Globe on-line assessment tool and Energy Star, familiar to consumers for rating efficiency in appliance energy consumption.

### **California is Ahead of the Pack**

California is in the lead nationally in the push for going green. It has passed legislation with aggressive greenhouse gas emission standards and is adopting a new green building standards code with the goal of reducing energy use, toxic substances and greenhouse gas emissions. Individual jurisdictions within California are also beginning to adopt strict local requirements, such as San Francisco’s formal adoption in 2008 of the LEED standards.

### **Reasons for a Developer or Owner to Become a “Green” Leader**

With state government clearly pushing in the direction of “green,” what other reasons are there for a developer or building owner to be a leader in this area? In fact there are many, including:

(1) Tax benefits are often available for building green (check with your tax advisor for particulars).

(2) Both public and private financial incentives are often available for green building innovation.

(3) Net metering of energy production may be possible if energy-reducing or generating efficiencies are incorporated into green building.

(4) Depending on the project, there may be tradable credits resulting from green construction or operation.

(5) Reduced building energy costs will translate into reduced reimbursable expenses for tenants, thus making leases in green buildings more attractive to prospective tenants.

(6) There is a cachet to being what is often called the first adaptor, which could translate into a commercial competitive advantage.

Given the newness of the technology and potential large costs involved, a commercial developer or building owner who is interested in green building or conversion should assemble an experienced team of architects, engineers, contractors and brokers early in the process to ensure maximum effect with minimal costs and the least potential liability.