



Real Estate
Families
Part Two

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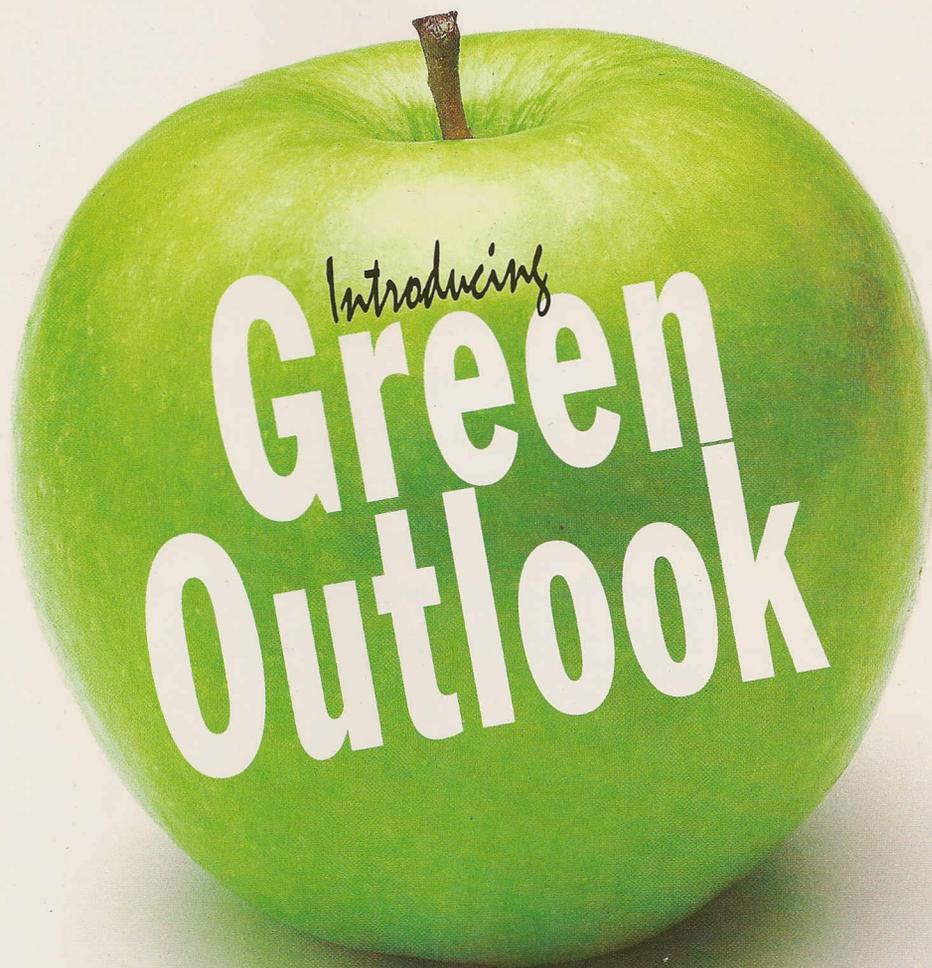


Real Estate

NEW YORK

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March 2007



Special Section Featuring:

- Developers Seek Design Solutions
- Product Demand Spurs Supply
- The Financial In & Outs of Sustainable Building
- NYC's Green Mandate—Local Law 86

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RISING
STARS
UNDER
THIRTY

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Changing Hues

After years of environmentalists screaming for change, it's finally happening—green building is really catching on in New York City. Major developers like Douglas Durst and Larry Silverstein have erected environmentally sustainable commercial buildings, while nearly every major commercial project in New York City right now has some component of green in its design and construction. And the trend shows no sign of slowing down. In 2003, the Albanese Organization was the first in the nation to complete a residential green tower, the Solaire, in Battery Park City. Today, several green residential projects around the city are also being developed at an accelerated rate.

When provided with ecological facts by the US Green Building Council and other organizations, and armed with the means both logistically and financially, developers began to realize the importance and the marketing value of developing green.

Since the built environment accounts for 38% of CO2 emissions, 70% of all energy consumed and 20% of all water consumed in the US, it only makes sense that the largest users cut back on their consumption. In addition, constructing and renovating buildings causes an enormous depletion of raw materials and exploits a significant amount of land. Lastly, buildings contribute the largest volume of solid waste to our waste stream. According to an American Institute of Architect report entitled the "2030 Challenge," three quarters of the built environment in the US will be either new or renovated by the year 2035.

For years, green building and design was not viewed as economically viable for developers. Today architects are saying building green is no longer a hard sell, because it saves on long-term operations costs. Manufacturers have also followed suit with green product lines, making accumulating points for LEED certification by the USGBC that much easier. Still, designers say it is, and will remain, a challenge to win a Silver, Gold or Platinum rating from the USGBC. Durst's One Bryant Park, when complete, will be the first platinum-rated building in the world. Silverstein's 7 World Trade Center was the first in the city to receive a LEED Gold rating.

In other green building news, governmental entities across the nation are mandating their projects be built green. New York City's green building law, Local Law 86, went into effect Jan. 1, requiring City-owned new construction, additions and substantial rehabilitations of more than \$2 million achieve a LEED Silver rating.

The industry is waking up and heeding the call of environmental responsibility. Closer to home, Real Estate Media announced late last year that one of its major initiatives for '07 was increased coverage of the sustainable movement. Beginning with this issue, look for the 'GO' icon (left) in REM's print and online publications and follow the url to in-depth reports, case studies and analysis on green buildings.



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GREEN OUTLOOK

A Quarterly Supplement

MARCH 2007

A DEEPER SHADE OF GREEN

Developers are seeking architectural solutions that are more than skin deep, to pair with energy-efficient infrastructures

By Nancy A. Ruhling
Contributing Editor



4 Times Square

In 1999, when The Durst Organization's 4 Times Square was completed, if the word "green" came up at all in New York City's commercial real estate world, it would have referred to the color being painted on the walls.

What a difference only eight years have made. The Big Apple has become the Big Green Apple, and the roots laid down by 4 Times Square have branched out to include 11 Times Square, the Goldman Sachs Building in Battery Park City, 7 World Trade Center, the Hearst Tower, the Freedom Tower, The New York Times headquarters and the Bank of America Tower at One Bryant Park.

"New York City is a hotbed of green building, and it would be an exception for a new building not to be green," says Dan Kaplan, senior principal with FXFOWLE. "The residential sector is lagging behind commercial a bit because it's much tougher to sell the concept to clients."

The greening has grown so quickly not so much because of legislation like Local Law 86, which requires some municipal buildings to have at least a silver Leadership in Energy and Environmental Design or LEED rating, but because developers—and more importantly, their clients—realize that it is a socially responsible choice that benefits everyone. "It's gotten much easier to build green," says Dan Tishman, president of Tishman Realty & Construction Co. Inc., which as the construction manager of 4 Times Square was the first green builder in Manhattan. "It's not more expensive because there are more products and con-

tractors and subcontractors used to it. And because there is LEED certification, the greenness is acknowledged."

Serge Appel, senior associate at Cook + Fox Architects, which is working with Durst on The Bank of America Tower, says that the bottom line is that "green features cost 1% to 2% more, a very small number, and almost all the features have four- to five-year payback period."

As systems get more energy-efficient and technologically sophisticated, it may, as Tishman says, be easier to build green, but that doesn't mean that there aren't challenges. Indeed, as more developers go for the green, the bar keeps being raised, with Silver and Gold LEED certifications becoming so commonplace that Platinum, which Bank of America is the first office tower to aim for, is on the fast track to becoming the standard. And with so many developers applying, there is a backlog at the US Green Building Council that is further delaying certification.

The LEED system itself, which awards one point per green feature, is one of the chief hurdles in the process. It is, says Douglas Durst, co-president of The Durst Organization, "difficult, time-consuming and expensive, but I haven't thought of a better way of doing it."

There is a learning curve to LEED, Appel says, that "requires writing specifications differently and a lot of paperwork." His firm hires consultants to do the extra work.

And it requires careful planning because "you have to identify the technologies you want to institute right from the beginning," says Tishman. "You say, 'I'm going to put in

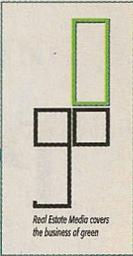
photovoltaics on the roof, and they will produce "X" amount of energy, and this has to offset other energy demands and then you have to demonstrate that it does to get the point. So you have to build in more points just to be certain, and they all carry a cost and you have to balance the benefit against the costs."

And, until the end of the game, it's also a bit of a gamble: Certification isn't given until the project is completed. "I know of none that have gone for it and not gotten a rating," Tishman says. "But I have known some that went for gold and didn't get it."

Despite the rating system's shortcomings, says Kaplan, "it's good because it gets the methodology out there."

As the concept of green has become more accepted and sophisticated, interior and exterior spaces are both being planned so resources are combined and put into one overall energy-efficient, aesthetically pleasing package. "At 4 Times Square, most of the green innovation was in the mechanical guts of the building," says Kaplan, a co-architect of The New York Times building. "Now, we are looking more carefully at the office space itself. The issues include the control of daylight with shades and glazing and using them to offset artificial light. This is exciting because 40% of an office's total energy load comes from the lights, making them the biggest single user of energy."

He points out that The New York Times building will have automated window shades that are activated by sensors that raise and lower them electronically to reduce glare and admit the correct amount of illumination. "On



this scale, this system has not been used in New York City," he says.

The challenge of the new green projects is to make the architecture itself a vital green component instead of merely a shell to house a myriad of green features.

The New York Times Building and 11 Times Square, for instance, each will feature exterior shading elements integrated into their design. On the Times building, tubes in front of floor-to-ceiling glass form a blind that cuts glare and heat. "They float in front of the set-back windows," Kaplan says. "In the vision zone of the window, there are no rods to interrupt your view out. They create shadows within the building and bounce energy back out into the environment." At 11 Times Square, FXFOWLE turned glass into an architectural element by using a sheer-glass curtainwall and silk-glass panels to create a visually stunning composition of sculptural forms, with the south-facing glass shaded from the heat and glare of the sun.

Another important structural feature, the raised floor, traditionally a space to run wire and cable, is becoming higher on the green scale. "The next step up the ladder is to put the AC distribution there, which is what we are doing at the Times," Kaplan says. "This system distributes cooling air at a temperature much closer to the comfort zone, and everybody can have his or her own little diffuser to adjust the temperature like a car air conditioner, and the cost of the modification is about 1/3 of overhead ductwork."

Despite all the innovations, experts agree that there still is much work to be done in the green field. New York City has an edge because the biggest projects are still being done by the oldest players—real estate families who are willing to bear the extra costs because they have made a long-term commitment to their buildings.

"We are greener than most other places because of our public transportation system," says Deborah Taylor, New York City's Department of Buildings' executive director of special projects. "We are among a very small handful that have legislated City buildings to be green. But it will still take us five to 10 years to be totally green."

Ultimately, Tishman says, the future of green rests in the movement's not resting on its laurels. "The worst thing that could happen is if today's standard became standard and remained the standard for the next 20 years. The technology we have today seems really great, but we have to keep reinventing it."

As its record has shown, The Durst Organization, for one, is up for the challenge. "There will be more green features in buildings in the future," Durst says. "We are the leader in this field and will continue to be the leader."

GREEN NEWS BRIEFS

NYMEX Named NY's First Existing Green Building

The New York Mercantile Exchange has become the first existing building to receive Leadership in Energy and Environmental Design (LEED) designation in both the City and State of New York. While numerous new buildings are being designed to meet the green standards, NYMEX was the first to retrofit an existing building in New York, earning it LEED-EB recognition from the US Green Buildings Council.

Among the green measures instituted by NYMEX: purchasing renewable energy credits for 100% wind power; installing new carbon dioxide and humidity sensors around the building, allowing NYMEX to control the outside air ventilation system based on occupancy and space demand instead of constant volume; increasing purchases of recycled and environmentally responsible products, including "green" cleaning products and low mercury lighting products; enhancing the building's exhaust system; and composting all organic kitchen waste. "This certification furthers Battery Park City's reputation of being the greenest neighborhood in the world," says James F. Gill, chairman of the Battery Park City Authority.

Riverhouse To Be East Coast's Greenest Condo



Riverhouse

Battery Park City, already known for its groundbreaking green residences like the Albanese Organization's Solaire project, will soon be home to the "greenest" condominium complex on the East Coast in the Sheldrake Organization's Riverhouse at One Rockefeller Park. The 31-story, 264-unit complex, which occupies one of the last waterfront sites in Manhattan, is slated for completion in the fourth quarter of 2007. The Ismael Leyva Architects-led design team is shooting for LEED Gold certification from the USGBC.

"Battery Park City Authority's vision for sustainable urban living has created a remarkable green community in Lower Manhattan," says Christopher J. Daly, president, Sheldrake Organization. "Their environmental focus inspired us to reach higher and create an intelligent, high-performance building that raises the bar for green design."

Among the green design elements being utilized at the Riverhouse are a standing column geothermal well which will provide heating and cooling to lobby spaces; rooftop photovoltaic cells to produce solar energy; cogeneration via 60 kW microturbines; and a blackwater treatment facility. The building will have the highest percentage of green roof space in New York City, reducing storm water runoff and controlling ambient temperatures. Regionally available eco-friendly materials are being used wherever possible to reduce fuel consumption. Filtered air will be supplied to all apartments.

Commercial units in the building will include a New York Public Library branch, Mercy Corps., and specialty organic café City Bakery.

Elsewhere in Battery Park, a joint venture of the Albanese Organization and Starwood Capital Group Global is currently erecting the 35-story, 251-unit Visionaire on the last developable residential parcel in the complex. Completion is planned for 2008. It is Albanese's third green luxury residence in Battery Park.

GREEN NEWS BRIEFS Continued on page 42

PRODUCT MANUFACTURERS AND VENDORS HOP ON THE BANDWAGON

By Barbara L. Nelson

Editor

Now that green is the buzzword in responsible building, many manufacturers have changed their product lines to reflect the surge of environmental awareness and demand amongst developers, designers and builders.

From bamboo flooring and carpeting to energy-efficient HVAC systems, numerous environmentally sustainable products have been made available recently. This signals a major change from just a few years ago when sustainable design was in its infancy in New York City. Still, accumulating enough points for a US Green Building Council LEED certification remains a challenge.

LEED was created by the USGBC to establish a common standard of measurement for what constitutes a "green" building, evaluating several areas including sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality. Within these areas, points are awarded, and the number of points a project earns determines the level of certification the building will be awarded. There are four progressive levels of certification: Certified, Silver, Gold and Platinum.

"Five years ago there almost no awareness of any of these issues," says Dale E. Peterson, principal, Mancini Duffy. "Now, there are many projects going through the USGBC LEED rating system. Design teams, contractors and manufactures are all developing a body of expertise. Many products now are being tailored towards these requirements. There's been, absolutely, huge growth."

No one knows about the growth of green product demand more than Eleanor Shtytser, owner of Floor Fantasy, a bamboo flooring business. Installing bamboo flooring satisfies the credit for rapidly renewable materials, low-emitting materials, and local regional materials. For the past seven years, Shtytser has attended industry events and met with anyone expressing even a glimmer of interest in bamboo flooring, toting her cumbersome flooring samples with her. Not many listened.

"Nobody knew bamboo as a product three years ago," says Shtytser. "Now, people already know when I get there why they should choose bamboo. We are installing the flooring in residential and commercial projects, in luxury rentals, and residential facilities for Columbia University. A lot of residential developers in Manhattan and New Jersey are going with bamboo."

Like Shtytser, "many vendors are actually now taking the time to



7 World Trade Center

LOCAL LAW 86 & GREEN BUILDING

By Susan M. Kaplan

read the LEED rating system," says Peterson. "They understand how their products have an impact on different credits and are coming to us with information that's really tailored toward LEED. Will the rating system itself get simpler? Perhaps, but not necessarily in the way manufacturers want. It's not manufacturer-driven. Manufacturers are going to have to work hard in some cases to figure out how their products fit into a green project."

The carpeting industry has done its homework. Since 1992, the Carpet and Rug Institute has developed and administered the "Green Label" testing and labeling program, first for carpet and then for adhesives and cushion materials. The testing programs identify low-emitting products, requiring that representative product samples meet scientifically established standards. "The Carpet & Rug Institute has a certification system called Green Seal Plus carpet that feeds directly into the USGVC LEED Certification credit system," says Peterson. "So if you buy a carpet that has a Green Seal Plus, you can get the LEED point for carpet."

But there are still products that need to be investigated further to see if the manufacturer or vendor is providing you with a green product or what the industry calls "green wash."

"It is basically what the manufacturer says, but there are ways to verify that the product is what they are saying about it," says Erica Godun, an associate at FXFOWLE and the head of FXFOWLE's internal sustainability group, 'Team Green.' "For wood products there's the Forest Stewardship Counsel certification," she adds. "It certifies the wood all the way from harvest from the forest through the final product. They do chain of custody all the way to the site."

While pricing for some green products are comparable to non-green products that's not the case for all products. "Yes, prices are coming down, but it depends on what the product is," explains Godun. "For instance, with carpet, you can get recycled content, recycled backing, low VOCs in most of the manufacturer's lines at their normal pricing. You wouldn't be paying any more for it. But for FSC certification, those woods almost always cost more, because of the process they go through to get the certification."

Even companies that aren't vying for the LEED certification are installing green products to save money. Credit Suisse's New York headquarters, located at 11 Madison Ave. was recognized last year by the city and state for installing New York City's largest ice-storage based air-conditioning system.

"In the past in New York there was a lot of apprehension—people were saying 'If I'm going to be green it's going to cost me a lot of money,'" says David R. Pospisil, marketing & communica-

Local Law 86, New York City's green building law, went into effect Jan. 1st, 2007. This law affects most City-owned buildings and requires that they achieve a LEED (Leadership in Energy and Environmental Design) Certified or Silver rating. What, exactly, does this mean to the real estate community?

Defined by the US Green Building Council, LEED Green Building Rating System is "the nationally accepted benchmark for the design, construction, and operation of high performance green buildings." Performance is recognized in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality, "providing a roadmap for measuring and documenting success for every building type."

LEED projects are rated by earning points ranging from Certified to Silver to Gold to the highest level, Platinum, achieved for completing specific project tasks and calculations. Prior to the City's legislation, there were already five Gold buildings in New York City and 55 projects registered for rating, signifying growing interest in green design.

IMPLICATIONS

LL 86 will influence NYC's approximately 1,300 City-owned buildings, and the more than 12.8 million sf of office space that the City leases, as well as non-City projects to which the City contributes at least \$10 million or 50% of the cost. It applies to new construction, additions and substantial rehabilitations of more than \$2 million. LEED Silver is required for most building types, and LEED Certified for schools and hospitals, though the law does not apply to residential, industrial or high hazard buildings. But it calls for energy reduction of 20% for projects costing \$12-30 million, and 25% for those costing \$30 million or more. Schools costing less than \$12 million must reduce energy cost by 20%. Installation or replacement of plumbing systems costing over \$500,000 must reduce water use by 30%.

SOCIAL IMPACT

LL 86 will affect approximately \$12 billion in construction over the City's ten-year capital plan. Despite real or perceived obstacles, the trend toward sustainable or green building design is apparent. But the specter of higher costs, limited material and design choices, unfamiliar construction techniques, and anxiety about counter-culture image remains.

"Design professionals are becoming more efficient and adept at designing compliant projects, exercising more design agility—the demand for new, innovative materials will stimulate supply, expanding competition and lowering costs," states Kimberly Sacramone, a principal at HLW. Construction professionals will be supported by improved documentation. More readily attainable materials, green techniques and materials will become accepted practice and common knowledge, saving construction time.

MEASURING SUCCESS

Green design is often viewed as a conservation method having only global advantages. However green buildings significantly affect the health and comfort of their occupants. Current studies suggest employee productivity and achievement of students increase in green buildings. Employees cost more than energy. Providing daylight, cleaner, fresher air, thermal comfort, and exterior views lessen sick days and "sick building" litigation. Once health benefits become more apparent, green will be seen as a marketing attraction instead of a limitation.

As the data documenting the successes of green buildings arrives, an increase in public demand for green building should reasonably follow. The long-term impact of LL 86 will be to establish green building design as a part of standard practice by necessitating experience and providing the tools.

The views expressed in this article are those of the author and not those of Real Estate Media or its publications.

Susan M. Kaplan is the director of specifications & sustainability at HLW International LLP. For additional information, contact: Ted Hammer at thammer@hlw.com.

tions manager with Trane New York/New Jersey. "We are seeing those rumors fall by the wayside."

The chiller system allows Credit Suisse to lower their facility's peak energy usage by 900kWh, and reduce overall electric usage by 2.15 million kWh. "We are saving \$1 million in energy costs per year," says William Beck, managing director, head of critical engineering systems at Credit Suisse. "We wanted to go as green as possible, while fully operating the building with no interruption in service."

"When you are able to save as much money as we are seeing at some of these corporate jobs, it's going to catch on," Pospisil says. "You are burning less fossil fuel. You are using less energy. You are using less natural resources. So the long-term sustainable impact on the environment is positive. You are delivering high-quality at less and it's helpful to the environment." Trane systems have been installed in buildings for Goldman Sachs, Morgan Stanley, Bloomberg and The Durst Organization, he adds.

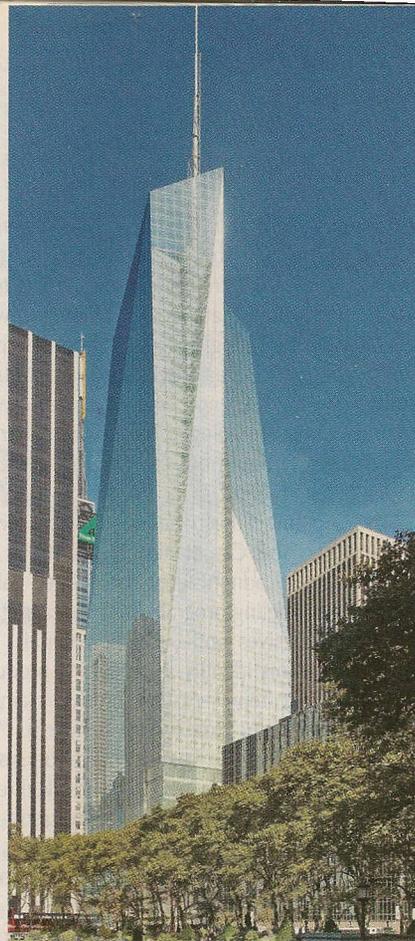
The latest in green product and services is green-cleaning of commercial and residential buildings. Guardian Service Industries as well as several other cleaning

companies are using green products and methods to clean buildings. "The green movement is expanding as more and more companies embrace environmental sustainability," says Michael Eisenberg, senior vice president with Guardian. "Client response to our green initiative has been simply unbelievable."

Guardian undertook extensive testing of a variety of products from various suppliers to find the best performing green products available. During that process, it determined that the quality and effectiveness of green-cleaning far exceeds the conventional cleaning methods now in use throughout the industry. The benefits of environmentally responsible building cleaning services include improved indoor air quality, lower water and air pollution levels, decreased absenteeism and increased employee efficiency and productivity, says Eisenberg.

Guardian's green cleaning services currently extends to over 6,000 clients occupying in excess of 70 million sf of commercial space in Manhattan and throughout the Northeast, including bank branches, institutions, loft buildings, schools, medical facilities, shopping centers and theatres.

Nearly everyone, it seems, is finding a way to go green these days.



A rendering of One Bryant Park

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April 25: First Annual USGBC-NY LEEDers Awards

Date TBD: On-site tour of The Verdesian in Battery Park City

For more information on these and other upcoming events, and to find out more about USGBC-NY and our mission, please visit our website:

www.usgbcny.org

GO GREEN, MAKE GREEN

Sustainable design is cutting operating costs, and attracting investor capital

By Joseph Dobrian
Contributing Editor



A rendering of the Albanese Organization's Verdesian

Developers and investors who are concerned about the financial feasibility of "going green" are in for a pleasant surprise. Building or renovating according to Leadership in Energy and Environmental Design (LEED) standards isn't some sort of expensive fad: It's just good business. While the savings in operating costs will vary considerably, it's generally believed that the greener you go, the more you'll save. Not only will energy conservation help your bottom line—even if the conservation apparatus presents an extra initial cost—but you'll stand to win various tax breaks, grants, and expedited permits in exchange for being kind to the environment. It's too early to tell what impact a Gold or Platinum LEED certification will have on a building's resale value, or the rents it can command, but so far the news is positive. Moreover, it's generally agreed that whether by legislation or market demand, buildings of the future will all have to meet certain environmental standards.

"We're seeing a lot of commercially viable buildings, such as Times Square in our city and elsewhere around the country, that are applying for LEED status at one level or another," reports real estate lawyer Barry LePatner, partner in LePatner & Associates. "The General Services Administration in Washington has announced that its future buildings will adopt LEED standards, and so have many charitable institutions."

Some skeptics have wondered whether capital providers will be interested in funding green buildings, and whether operational cost savings will justify the effort and expense of going green. But so far, there's been little resistance on the part of investors, and the few meaningful

statistics available on operational costs are more than encouraging.

"A number of organizations are interested in funding green buildings, one way or another," confirms Tom Hicks, vice president for LEED at the US Green Buildings Council, which is based in Arlington, VA. "One of the most notable is the Hines CalPERS Green Development Fund (HCG). Thomas Properties Group has a \$500-million fund for which they're securing capital, which they'll use to buy and operate green buildings as well as to buy buildings that need to be 'greened up.' The California EPA building in Sacramento is one that they upgraded for about \$500,000, and the operational savings paid it back quickly."

Green REITs are also emerging, Hicks notes. It's too soon to tell whether the market will deem them profitable, he says, but if profitability means higher net operating income, green buildings will deliver that.

"We think green buildings will be a home run among capital providers," he says. "We've talked to banks that are considering different lending terms for green buildings, and The Kresge Foundation and Enterprise Community Partners, through grants and other offerings, are spurring that kind of development. In Washington, King County has funding for commercial properties to pursue LEED certification: small amounts, but they might push you over the top." New York and New Jersey are offering green tax credits, and some jurisdictions offer expedited permitting that could save as many as 12 months in the development process. "A Lowe's Home Improvement Warehouse in Austin, TX recently used its green initiatives to speed the permitting process, and those few

extra months of early sales essentially paid for the store," Hicks says.

Mary Spink, executive director and development director at the Lower East Side People's Mutual Housing Association, insists that there are few, if any, financial downsides to going green, although some initiatives can be initially costly.

"Especially if you're a non-profit, you'll have to bring a project in at a certain number, and that's hard to do if you're using recycled materials, putting in bamboo floors, putting in solar collectors even though solar isn't feasible here yet," she admits.

Another point to keep in mind in New York City, Spink adds, is that the shortage of land will often restrict how green a development can be. For example, a new building might not have room for a graywater plant or a rainwater catchment.

"You can save by qualifying for certain green tax credits," she notes. "As far as your lenders are concerned, they're not usually interested in anything besides 'Can you pay it back?' They'll still look systematically at what you need and what you can pay, based on insurance costs, water and sewer, etc. Energy savings that you realize by going green will sometimes give you some wiggle room."

Jim Himes, director of Enterprise

Community Partners' New York office, says there are a variety of ways to turn environmentally friendly initiatives into savings on operating costs. "For example, one of Mary Spink's innovations was to put the insulation for a building on the outside of the structure, between it and the façade, so that it's not bisected by floorplates," Himes says. "Because the building is better insulated, a smaller boiler is required, and that can go on the roof. All told, she's saving 85% on utility costs on one of her recent developments."

Enterprise New York gives grants of \$50,000 to pay for the consulting required to make a building greener, and might reduce interest rates on its loans by as much as 500 basis points if the building meets certain standards, Himes says. "I think other lenders will go this way too," he adds.

Indeed, other banks are making more favorable terms available to green developers. The San Francisco-based New Resource Bank, for example, is offering a 125-basis point discount on loans to "green leadership" commercial projects. On a loan of \$5 million, this could translate to about \$60,000 savings over 10 years.

"When you build to LEED standards you might experience an incremental increase in

GO GREEN Continued on page 42



A rendering of the New York Times Building

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