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## Building Green Positively Affects The Triple-Bottom Line

by Rachel Duran

Incorporating sustainability initiatives and green building practices in commercial facilities, and increasingly in industrial facilities, is no longer just the fashionable or the politically correct thing to do.

Sure, from a social standpoint, progressive companies attract the best and brightest employees who are interested in working for firms that are environmentally responsible. However, increasingly, green building and sustainability practices are required or encouraged by municipalities in the United States and Canada. The availability of incentive programming to support these efforts is also on the rise, awarded from the federal, state/provincial or local levels.

“We find many municipalities are requiring reduced storm water impact and reduced carbon emissions,” says Paul Todd Merrill, director of sustainable construction, Clayco, Inc., which is based in St. Louis. The company is a 25-year-old design-build operation. “There are pressures to be more energy efficient in response to global carbon production reduction measures.”

Merrill says in many parts of the country, facilities built to certain LEED standards can realize deferment of property taxes. Utility companies offer energy-efficiency measures to consumers with the long-term benefit of not having to build additional power plants. What's more, there is an uptick of incentives available for facilities that implement onsite wind energy or solar energy generation.

“Most states have discretionary funds set aside for energy reduction projects,” says Barry Pisano, tax manager, ADP, Inc., one of the world's largest providers of business outsourcing solutions. “In California we found eco-friendly programs relating to ports that are moving toward emission reducing vehicles and/or emission reducing transportation techniques.”

Pisano says ADP is reviewing past projects to determine if they are still within the statute of limitations to take advantage of the benefits of a federal program that went into effect in 2008. “The federal reduction allows for a three-year look back that can be useful to manufacturing firms we have worked with that have incorporated green elements.” ADP partners with a boutique firm that specializes in this federal program to file the appropriate returns.

In the town of Caledon, Ont., companies can tap into a Green Development Program that offers incentives based on investment. The program, which is voluntary, accommodates a wide range of green building strategies applicable to commercial or industrial projects. The program, launched in 2008, provides development charge discounts for new buildings that incorporate Leadership in Energy and Environmental Design (LEED) certification. The development charge discounts range between 5 percent and 27.5 percent. There are also discounts for buildings that incorporate green technologies such as solar hot water systems; transpired solar collectors; solar photovoltaic systems; permeable pavement, and storm water cisterns.

One firm that has applied for the program and completed its project is ProLogis of Denver, in regard to a 416,000-square-foot spec logistics and distribution center, which is available for lease to one tenant or is divisible to accommodate numerous tenants. The facility earned a LEED Silver designation. "In ProLogis' case, it received a 25 percent reduction as part of the Green Development Program, so building to a LEED standard definitely helped," says Norm Lingard, manager of economic development, town of Caledon.

Lingard says the town has twice been recognized as the greenest town in Ontario. The town has implemented an environmental action plan, and an environmental progress officer ensures the town is following environmental practices. "For us to bring programs into play that demonstrate the town of Caledon is interested in supporting the triple-bottom line speaks volumes," Lingard says. The triple-bottom line consists of environmental, economic and social benefits.

#### What Does Paying This Premium Get Us?

In addition to municipalities, companies' downstream customers, such as the Wal-Marts of the world, want to know what sustainability initiatives companies follow with regard to packaging techniques and waste streams, for example.

There is in fact a triple-bottom line that is met when it comes to acting and building green. In fact, your company may be underway with sustainability initiatives and not even realize it. Are you following sustainable procurement policies or managing recycling programs? "These things can easily be rolled into green building programs," Merrill says.

Merrill says Clayco has been practicing sustainability practices all along, although it wasn't called green and there were no rating systems to verify the measures implemented into buildings, such as the U.S. Green Building Council's LEED system.

Clayco finds that sustainability practices have evolved in the marketplace to the point where 75 percent to 90 percent of the projects the company is involved with want to earn LEED-certification status or incorporate sustainability measures. "As the construction market has dropped 25 percent in pricing, the costs for the LEED-certification process have also dropped," Merrill says. "There has been a drop from a premium of 4 percent to 5 percent to a premium at the most of 0.5 percent to 1 percent, if any."

Clayco's officials find they are not only educating clients but also the communities where the clients are building, meeting with building code officials, Merrill says. "It branches out to other aspects that support the design industry." For instance, municipalities are not only requiring LEED certifications for public buildings, but also implementing requirements for private developers to achieve LEED certification with their facilities.

Achieving certification from a building ratings system is just one way to green facilities. Others include using a high percentage of recycled content materials in the building process. "People are incorporating green strategies whether they are going for certification or not," says Thomas Taylor, general manager, Vertegy and Alberici Enterprises, based in St. Louis, which offers services to assist companies in achieving green and sustainable facilities. "When we work with clients we find there are as many reasons why an organization would want to do this as there are organizations that seek certification. It has to make sense to the individuals who are making those decisions."

Increasingly, the decision to build green or incorporate sustainability practices into facilities makes complete sense, not only in regard to minimizing environmental concerns, but from operational cost savings and advantages. The savings from the energy efficiencies achieved in these buildings can be significant. And while there may be initial premiums, long-term owners will realize a three to five-year payback on many of the measures implemented, quickly recovering costs over the life of the buildings.

"Energy savings is something that is tangible and can be put into RIO calculations," Taylor says. "You can talk about social branding as far as people who want to spend their money with companies that have the

same social values as they do. You can talk about increased productivity or less absenteeism or sick days. However, those things are harder to calculate.”

A recent Vertegy project involved achieving LEED certification for the Crossroads College Preparatory School in St. Louis, which was a combination retrofit and new construction project. “They are somewhere in the neighborhood of being 30 percent more efficient from an energy standpoint, which is quite an operational cost savings,” Taylor says.

Merrill adds that companies achieve a 30 percent to 40 percent energy savings with buildings that have implemented energy-efficient envelop designs, glazing systems and heating and cooling systems. “Manufacturers have stepped up to the plate to create new control mechanisms that are becoming more cost efficient for an owner to invest in,” Merrill says.

### Industrial Facilities Move Toward LEED

It isn't just developers of commercial and office facilities that are jumping on the green building bandwagon. In the last couple of years an expanding number of industrial spec facilities have earned or are working to achieve LEED-certification status. These large facilities, often in the 1-million-square-foot range, are fairly low energy users, making it hard to pick up a lot of LEED points because it starts with low energy consumption per square foot.

“LEED certifications have been modified to be inclusive of industrial and warehouse product,” says Lance Ryan, vice president of marketing and leasing, Watson Land Co., which has core industrial facilities located adjacent to the ports of Los Angeles and Long Beach, and throughout California's Inland Empire region. “Our entire portfolio consists of 15 million square feet of industrial buildings. We are in the process of entitling and planning 4 million more square feet during the next five years.”

Watson Land Co. has made the decision that all spec industrial development will be designed to LEED standards. “To date we have more than 3 million square feet of LEED-certified buildings,” Ryan says. “We are the first developer in Southern California that was building LEED spec facilities.”

Much like companies in search of commercial or office space, companies in need of industrial facilities have also found that green and sustainable measures are in alignment with corporate goals when it comes to being green. These firms are introducing sustainability into their warehouses and supply chain models.

In addition to savings on utility costs, “there is also a maintenance component to it, for both the owner and the tenant,” Ryan points out. He says incorporating high-efficiency lighting and using more daylighting design concepts, such as glass and skylights, can lead to a savings of up to 50 percent on electric bills, cutting the annual bill in half.

An operational advantage can be found in maintenance of truck courtyards at distribution centers. By using concrete, a more sustainable product than petroleum-based asphalt, companies not only cut down on the maintenance of the courtyard but they also avoid utilizing a nonsustainable product material.

Ryan also notes the efficiencies of sourcing locally for construction materials, which reduces the amount of truck travel required to bring in the materials.

Industrial facilities also benefit from the creation of better indoor environments, which lead to better employee retention because employees are happier and more productive.

In the future, sustainable developments for industrial facilities will incorporate more sources of alternative energy. Ryan says the empty rooftops and abundance of sunlight in Southern California create a perfect environment for pursuing activities such as the installation of solar panels. Watson Land Co. believes that technology improvements will make it less expensive to install solar arrays on rooftops. What's more, the

equipment will be lighter and require less space. This is important because most existing industrial buildings aren't designed to carry these loads.

By implementing green and sustainable measures into new and existing buildings, such as earning LEED certification, companies will realize operational cost savings, create healthier workplace environments for their employees, and minimize their impact on the environment.

For complete details on the organizations featured in this article, visit:

ADP, Inc., [www.adp.com](http://www.adp.com)

Clayco, Inc., [www.claycorp.com](http://www.claycorp.com)

Town of Caledon, Ont., [www.caledon.ca/greendevlopment](http://www.caledon.ca/greendevlopment)

Vertegy and Alberici Enterprise, [www.vertegyconsultants.com](http://www.vertegyconsultants.com)

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