



Environment

Adjust font size: [+](#) [-](#)

February 24, 2009

Recession means a tougher look at whether energy retrofit projects pay

By [KATIE ZEMTSEFF](#)
Journal Staff Reporter

A group of developers discussed how the economic downturn has affected green building and energy efficiency projects at a recent workshop presented by the Cascadia Chapter of the U.S. Green Building Council.

Speakers were Dennis Wilde of Gerding Edlen, Mark Schuster of The Schuster Group, A-P Hurd of Touchstone and Betsy Hunter of Capitol Hill Housing. Josh Chaitin of The Frause Group moderated the discussion.

Wilde reflected the general mood when asked about current conditions. "There is no building. You can't get projects financed today. Period," he said. "We're going to see very little new buildings built unless it's in the public sector. Pretty much kiss private sector development goodbye, probably for the next two years, maybe longer."

In the mean time, the industry will concentrate on retrofitting and renovating existing buildings, most of which are inefficient. Wilde said these renovations present an incredible opportunity to reduce carbon emissions. "From our perspective, (it's) where the action should be anyway."

But renovating buildings to be more energy efficient can get expensive. The Schuster Group recently pursued a double LEED certification — for existing building and commercial interiors — on its Seattle headquarters. Buying a building to renovate and getting it certified can add 5 percent to 10 percent to the total renovation cost, Schuster said. Renovating a building a company already occupies to make it more energy efficient can be more costly.

Costs can get steep for older buildings and Hurd said owners must look closely to see if the update is worth doing. She said in the past it's been more "loosey-goosey," but in the current economy owners want to see a "very, very rigorous methodology" to understand how retrofits will save on operating costs.

Deciding to make energy efficiency upgrades also depends on how long an owner intends to keep a building. Hunter said Capitol Hill Housing holds properties for the long term, so it makes sense to invest in systems now that save money later.

LEED certification is still most prominent in new buildings, due in large part to cost efficiencies. Schuster said new LEED buildings cost a premium of up to 2 percent, which can be made back in energy use and marketing. Wilde said Gerding Edlen can do a LEED silver or gold building without adding to the total cost, and do LEED platinum for about 2 percent more.

Before the downturn, Schuster said existing buildings accounted for 7 percent of LEED

certifications. He thinks existing building certifications will slow down because of the economy but hopes it will return one day. "It was just starting to take hold."

When the construction market comes back, he said new buildings will once again make up the majority of green certifications. "People in this movement are going to have to be committed to restarting it, jump starting it in another couple of years."

Wilde said the market needs to find a better way of financing tenant improvements. Requiring a five-year payback on energy-efficient systems that will benefit a building for 100 years is just not good math, he said. Hunter said her lenders "don't seem to care about the green stuff."

Hunter said her position is a little better because lending for institutional and affordable housing is increasing. Opportunities to buy property on Capitol Hill have also multiplied because of the economy. A couple of years ago, she said finding property in that neighborhood "was like dental work." Now, real estate agents call her every day.

Developers also discussed whether government should focus on incentives or regulations to increase green building. Wilde said government should "judiciously exercise the carrot and the stick."

Hurd said the policies of different jurisdictions are fragmented. A regional or national approach to dealing with environmental issues would be helpful, she said.

"We need a more unified strategy," she said. "We have got to fundamentally change the way we think about the problem and we're not going to do that by tweaking codes."

Schuster, a believer in the power of the market, said he thinks promoting up rather than a hammer down approach is the way to go.

But Hunter said she likes incentives. Her industry went green virtually overnight because of state requirements. Now, she said building green is more of a starting point rather than an end goal. There's still room for improvement. "I wish there was a way to make it simpler."

Katie Zemtseff can be reached by [email](#) or by phone at (206) 622-8272.

© Seattle Daily Journal and djc.com.