

By Lewis G. Feldman



As Convenience, Incentives Grow, More Developers Will Build Green

AL GORE WON AN ACADEMY AWARD THIS YEAR for his film, "An Inconvenient Truth." Whether or not you agree with Gore regarding the impact of greenhouse gases on our earth's atmosphere, it is becoming increasingly clear that others do. The US population will grow by more than 60 million within the next 20 years. Homes, new offices, schools—an estimated 38 million buildings—will be constructed by 2010. Without a concerted and coordinated effort by the government and the building industry to encourage green development, this new construction could adversely impact our already-taxed ecological systems.

Fortunately, the idea of green building no longer troubles most builders. Although some in the industry continue to believe that going green is too costly, the prolif-

erated already provides a variety of carrots to encourage developers to build green. In many jurisdictions, developers receive fee waivers, expedited permit processing and even low-interest financing for projects that meet LEED standards or include new energy-efficient innovations. Some jurisdictions allow residential developers to earn preferences in the building permit process by selecting from an array of optional green construction features. Builders can also obtain tax credits for utilizing solar or geothermal technologies or for meeting certain heating or air-conditioning standards. Other jurisdictions offer density bonuses and other land-use incentives for projects that include green components.

The Energy Tax Incentive Act of 2005 is an example of a successful federal program that promotes the inclusion of green features (see "Ins and Outs of Going Green," page 40). Also on the federal level, several US agencies offer funding for green development, including the Department of Energy, the Department of Commerce, the Environmental Protection Agency, the Department of Housing and Urban Development and the Department of the Interior.

Many local jurisdictions, too, have implemented programs to promote green building. The City of Boulder, CO, for instance, requires all new residential construction and remodeling projects greater than 500 sf to include green features. Building permit applicants in Boulder earn points toward approval by selecting from a menu of optional green components. California's Santa Barbara County gives "fast-track" permit approvals to projects judged to have superior environmental performance.

Traditional lenders are getting into the green incentive game as well. Some banks have attempted to help offset the higher upfront costs of implementing green features by offering loans at a lower cost, higher loan-to-value and lower interest rates for green projects.

As more jurisdictions promote the benefits and offset the costs related to green building, a growing number of builders will find such development more financially expedient, and perhaps preferable, to traditional construction. ♦

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eration of governmental incentives and the increased demand for green product is helping to assuage the qualms of even the most steadfast traditionalists.

Real estate buyers rightly consider location above all else. For developers, the overriding concern is the cost of construction. Although well-executed green projects now tend to perform extremely well financially, concerns over potentially higher upfront costs still discourage many builders from embracing sustainable building strategies. If the benefits of green construction accrue only to the ultimate owner or operator of the property, the developer who initially implements environmental technologies may have little economic incentive to do so. In other words, the developer will not necessarily receive enhanced value from buyers for building green. Without other incentives, a buy-and-hold strategy may be required until a project's operation history demonstrates a stronger bottom line.

Federal, state and local agencies control or oversee nearly every aspect of the development and construction process. Consequently, governmental programs will likely determine the pace of green construction for the foreseeable future. Existing federal, state and local legislation