

## COMMERCIAL REAL ESTATE MARKET GUIDE 2009

# The LEED decision

## Costs of certification may give some owners second thoughts

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Whether or not the economic downturn has impacted the number of LEED-certified buildings in the Houston area depends on who you ask.

LEED, or Leadership in Energy and Environmental Design, has become a buzzword in the real estate industry. The various levels of LEED certification serve as documentation that a property has been deemed "green" by the U.S. Green Building Council. In addition to using resources more efficiently than traditional buildings, these certified buildings also provide healthier working and living environments, a feature that contributes to higher productivity.

Tim Murray, project manager and associate for Morris Architects Inc., says he expected to see a lot more LEED certifications in Houston this year.

"But that just hasn't happened," he says.

"It takes a long time to certify a building. The process starts when you start designing and doesn't end un-



Murray

til you're finished," says Murray, who also serves as the South Central Region chairman of the U.S. Green Building Council.

Murray believes, too, that the recession has made its mark on the number of registrations and certifications.

"People take a second look at getting certified," he says, because of the extra expense and documentation that goes along with certification.

There are currently 370 LEED-registered buildings in the Bayou City, but only about 30 of them have completed the process and been issued LEED certification.

"We were doing fair compared to other larger cities," Murray notes. "We were comparing really well until about a year ago. Since then, we've trailed off a bit, unfortunately."

Despite the slowdown, Murray says, "Serious owners and developers still realize the value of having that tangible certification."

The major tangible costs for going after LEED certification are registration and certification fees paid to the U.S. Green Building Council.

### THE COSTS

The LEED system, developed and implemented by the USGBC about eight years



PHOTO COURTESY OF MORRIS ARCHITECTS

**Beltway Lakes II, a registered LEED project that is striving for LEED-Gold Core and Shell certification, was developed by Radler Enterprises.**

ago, is expected to get a major upgrade next year, making climate change and energy efficiency even higher priorities. It also could result in higher fees for building owners.

While there are several levels to LEED certification, including LEED Certified, LEED Silver, LEED Gold and LEED Platinum, the certification fee is based on the rating system in each category and the size of the project.

Registration is a flat fee paid up front at the time of registration. Currently, the registration rates are \$450 for USGBC members and \$600 for non-members, according to Beth Young, vice president of investment services at Grubb & Ellis Co.

Overall, USGBC surveys show the nation-

al average cost of a LEED-certified building versus traditional construction is about 2 percent of the entire cost. So if a building costs \$100 million to build, it would cost approximately another \$2 million to make it LEED certified.

"Locally, we've averaged about 1.5 percent," Young says. "But the most important thing is that the return on investment can be as short as one year and an average of three years."

Indeed, many LEED-certified buildings will qualify for government incentives,



Young

tax rebates and zoning allowances, notes Young.

Sue Rogers, a principal at Cresa Partners, predicts that there will be an increased interest in LEED certification. But for now, while the interest might be there "the economics to support it" aren't.

"It's just not as high of a priority right now," Rogers says. "Business is the top priority, so LEED certification has slipped a little on the list."

"But I'm sure it will make a strong comeback," she says.

## THE LONG RUN

To Murray, the USGBC treats LEED certification much like a nutritional label.

"If you're certified, then you know what's going into it," he says. "It's much more marketable in terms of leasing or selling."

Ben Wylie, project manager for Wylie Consulting Engineers, says construction overall has seen a slowdown, so it's logical that the number of LEED-certified projects would drop off as well.

Prior to the credit markets drying up, he says, "almost everybody on the commercial side wanted to get their project LEED certified."

And while resale and marketability were incentives for commercial building owners, they weren't as big an issue for schools.

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**Sue Rogers**  
Cresa Partners

"School districts are still adding green features and sustainability, but they're not going through with the certification because of the costs," Wylie notes.

But Young is optimistic that commercial developers won't completely drop the notion of LEED certification.

"Even in today's environment, if a developer is moving forward with construction of a new building or a major renovation of an existing building, in addition to the government incentives for developers to go green," Young says, "the long-term — next 10 years — savings in operating costs and higher rental rates that are being achieved are usually enough to convince an owner to spend the minimum amount, relatively speaking, of extra dollars in up-front construction costs." ■



**Wylie**

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## LEED CERTIFICATION COSTS

### REGISTRATION FEES

USGBC Members: \$450

Non-Members: \$600

### NEW CONSTRUCTION CERTIFICATION FEES

Combined Initial Design and Construction Review Fees

	Less than 50,000 square feet (fixed rate)	50,000- 500,000 square feet (based on square footage)	More than 500,000 square feet (fixed rate)
USGBC Members	\$1,750	\$0.035 per square foot	\$17,500
Non-Members	\$2,250	\$0.045 per square foot	\$22,500

### EXISTING BUILDING INITIAL CERTIFICATION REVIEW FEES

	Less than 50,000 square feet (fixed rate)	50,000 to 500,000 square feet (based on square footage)	More than 500,000 square feet (fixed rate)
USGBC Members	\$1,500	\$0.03 per square foot	\$15,000
Non-Members	\$2,000	\$0.04 per square foot	\$20,000