

Greening the Real Estate Portfolio

BY MATTHEW RICHARDSON

The eyes of the retail world are watching PNC Bank closely. In the next few years, the nation's 15th largest bank, a unit of PNC Financial Services Group, Inc., will open 90 new retail branches across seven states. For some time now, retail banks have been competing fiercely through expansion and new branch models, so what's generating the excitement?

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Retailers from Starbucks to Target are intrigued by PNC's plan to be the nation's first retailer with an entire rollout program certified as meeting environmentally friendly building standards.

Sustainability is nothing new to PNC. In its current green portfolio, the bank counts ten branches from an earlier rollout program; a LEED Gold-rated mutual fund headquarters in Wilmington, DE; and Firstside Center in Pittsburgh, the first LEED Silver-rated building in the country. The bank even recently "deconstructed" a city-owned building in its hometown of Pittsburgh, recycling 90 percent (by weight) of the materials to then convert the site into a new park for its employees and the public.

With almost 20 LEED-registered or certified properties nationwide, PNC is already recognized for its environmentally sustainable buildings. Should all the branches in the new eco-friendly rollout be certified, PNC will become the undisputed U.S. corporate green building leader.

The Brand Value of Green

For PNC, it's not just about being number one. "Good environmental sense makes good economic sense," said Neil Hall, CEO of regional community banking for PNC. "As a bank, we recognize that the integration of green principles into our business practices enhances the value we deliver to our customers, shareholders, communities and employees."

What has other retailers excited is how PNC's bank branch program leverages the brand value of sustainability for the consumer. "In retail, customer loyalty and brand distinction are critical," said Lance Boge, who led Gensler's design team for the PNC prototype. "Their green branches offer a tangible message



Photos by David Joseph

A branch bank that's got trend-setting retailers sitting up and taking notice? PNC Bank is building green—and your shopping trips may never be the same.

Resource-efficient pre-fab construction system

Roof overhangs provide passive solar shading

High efficiency glazing system (3x more efficient than code)

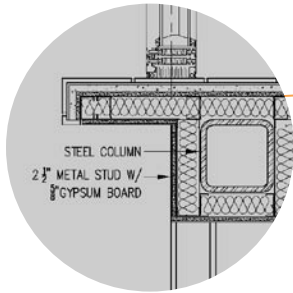
CO2 sensors and air filters for healthy air quality

High efficiency HVAC Equipment (contributes to building energy savings of 50% over code)

Automatic daylighting controls (reduces total building power by 7%)

Native landscaping (drought tolerant 50% reduction in water use for irrigation)

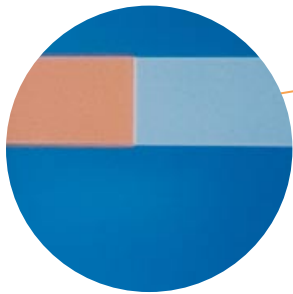




Sheetrock and steel are recycled



Clerestories and glass walls maximize daylight for interior comfort and reduce energy expenditure



Paints and finishes are low toxicity



Furniture fabric, carpeting, flooring, countertops, and cabinetry contain recycled content



to customers that really stands out.” Gary Saulson, PNC director of corporate real estate, echoes this sentiment: “People are proud to do business with a socially responsible company, and communities favor new construction and economic growth with minimal impact on local resources.”

Expectations for sustainability are increasing on the shareholder end, too. LEED Program Manager Brendan Owens of the U.S. Green Building Council (USGBC), the third-party organization

that promotes and regulates green building construction, feels that scrutiny from shareholders is a big sustainability driver for corporations, but it could be an additional driver for green retail. “Shareholders, fund managers, banks, and insurance companies read Corporate Sustainability Reports and, increasingly, they’re interested in seeing commitment on behalf of a corporation’s entire environmental footprint.”

Barriers to Certification

So why haven't more retailers capitalized on green building? One reason is that the USGBC presently has no system for awarding mass, or volume-build, certification for rollout projects. Currently, each building must register individually to obtain the USGBC's Leadership in Energy and Environmental Design (LEED) certification.

While the cost of green construction compares favorably with conventional construction, the time and expense of filing for LEED credentials is no trifling matter. Each submission requires a phone book-thick binder of materials verifying the building's green attributes. Additionally, there is no design delivery precedent for building in volume for LEED certification. As a result of the hurdles associated with certification, retailers and banks accustomed to rapid growth—the fastest introduce as many as 100 new stores or branches a year—have shied away from LEED.

PNC Stays the Course

These obstacles haven't stopped PNC from pursuing volume-build certification.

"We were well aware that others have struggled with the lack of a LEED certification process for roll-out, but PNC has made a commitment to green building, and we're determined to find a way to build green branches," said Saulson.

To do so, PNC has partnered with the USGBC's Retail Development Committee (RDC), which includes Target and Starbucks among its big-name membership. The two proposed a more efficient LEED-certification process for volume-build projects using its green bank branch prototype as the test case for a streamlined approval system. While the first ten branches of the PNC rollout will follow the traditional building-by-building LEED registration, PNC and the RDC have proposed that the USGBC evaluate the bank's prototype design and establish a new volume-build certification for retailers.

What they suggested is that the USGBC undertake a random audit of PNC's green branches—the way the IRS audits income tax returns—to verify that their construction meets the standards established by the certified prototype design. The USGBC is reviewing the proposal, but the expectation is that they will ask retailers to complete the full LEED registration process for the first building in a rollout program. Subsequent buildings will only need to be registered if they differ from the certified prototype design.

"This response by the USGBC doesn't fully meet what PNC and RDC requested, but it's an important first step," said Teresa Burrelsman, an RDC representative who works with Paladino & Co., PNC's Seattle-based green building consultant. "Remember, the RDC has been at this for a couple of years. It's clear that the USGBC wants to design a system that has teeth and upholds the integrity of LEED."

The USGBC understands that there's demand now from this sector. "Retailers realize that building green and building LEED save money and help promote their image as good corporate citizens," says the USGBC's Owens, who is also the organization's liaison to RDC. "If there's a viable way, they'll register for LEED, and the USGBC is committed to developing a process that works for volume build retailers and the green community."

Getting there will be a huge boost for the sustainability of the U.S. built environment. The USGBC reports that retail today constitutes less than 10 percent of all LEED-certified buildings. Yet, according to McGraw-Hill Construction, 23 percent of all new non-residential buildings—a total of 21,300 projects—fall in the retail category.

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