

Shifting First-Cost Mentalities

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So-called “green premium” inherent in pursuing LEED certification remains an obstacle when advising clients toward sustainability.

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The climate-change debate continues with each new report of ice caps melting, but bottom lines are bottom lines and facility directors and CFOs must answer to them.

Because of bottom lines, a common challenge when it comes to sustainability is a tendency to focus on short-term goals. Many of the executive level decision makers on construction projects—whether new construction, renovation, or interiors—have both capital and operational budgets to mind. Executive bonuses and company performance are typically evaluated on a three- to 12-month time frame. In contrast, some sustainable strategies promote operational efficiencies and cost savings over the long term. Because some strategies might not pay for themselves for five or 10 years, these decision makers can be turned off by the “green premium” and overlook life-cycle savings that can be reaped in the future.

The “sustainability premium” has decreased over the past five years as the industry’s experience with low-impact materials and LEED participation has increased. Depending on your source, costs for base LEED certification for commercial buildings have gone from as much as 15 percent of overall project costs five years ago to less than 1 percent of overall project costs today.

That premium can be reduced if not eliminated once you factor in life-cycle costs, which include construction, design, operations, maintenance, and intangibles such as social costs and productivity. Some of these life-cycle savings are easily quantifiable. For example, consumption of energy and water can be measured. Other more intangible benefits, such as the effects of daylighting on worker productivity are proven, but much more difficult to convey via a spread sheet.

When it comes to those measurable savings, one might find an ally in the client's chief operating officer or operations manager. A persuasive and knowledgeable operations manager able to demonstrate the long-term benefits of first costs can lend perspective to strategies that at first glance appear too expensive.

Some sustainable strategies have low or no cost. A building orientated to take advantage of natural light and mitigate solar heat gain will cost less to operate than the same building with a less-desirable orientation. Small steps—such as effective construction waste management and sound sustainable purchasing policies—can actually save on both capital and operational budgets.

Reminding the executive decision makers of the low-hanging fruit can lend guidance to more difficult decisions with larger first-cost impacts. Gensler is designing a new headquarters building for the Port of Long Beach. The Port in recent years has enacted several programs to decrease its environmental impacts and provide leadership in its role as the city's major employer and proud environmental steward. Port officials were immediately on board with LEED certification for the new building, but set the bar at LEED Silver where proposed first costs were relatively low and the return on that investment made sense. With some information and research that validated an increased commitment, the Port officials decided to step up and make a statement by approving the pursuit of LEED Platinum—at a premium of roughly 3.7 percent.

Designed first for energy efficiency, the project is expected to perform more than 35 percent better than the minimum code requirements. To highlight this energy efficiency with tangible building elements, the Port elected to place a large photovoltaic array on the future maintenance building roof. The Platinum premium should save more than \$70,000 per year in utility bills alone.

The Port's example is inspiring. With many existing state and local policies and new leadership at the federal level, energy and carbon emissions reduction will be further encouraged through legislative action.

The public sector has the opportunity to provide leadership and validate the benefits of building green as a model for private enterprise. It's reasonable to assume that, in these times of conservative spending, the private sector might prefer more immediate and less costly paths to environmental responsibility.

It is less risky and more immediate to educate the work force and green-up operations than pursue sustainable buildings.

That approach is Business 101 on its face. But belt-tightening times also are good times to take a step back and consider a little more closely the way things always have been done and whether there are new and better approaches. The knowledge is out there, and there are plenty of people happy to share it and help businesses determine what, if any, sustainable strategies are appropriate.

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