



Green Building is the Right Thing for Los Angeles

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Green officially went mainstream in 2007. From a Northern California legislator's proposal that would add \$2,500 to the cost of a gas-guzzling car, to a possible statewide ban on the sale of old-fashioned incandescent bulbs, to Al Gore accepting an Academy Award for a documentary on climate change, this is the year that the sustainability movement shakes off its image of hemp journals and even Texas utilities embrace sun and wind power.

It's natural that Los Angeles would lead this charge, and that green building should take center stage here. Once dismissed as too expensive, green building has become a necessity as more residents, lenders and even investors push for sustainability. Moreover, green principles are fast becoming synonymous with solid, cost-efficient operating principles. But it's cities like San Francisco, New York and Chicago that are fostering the trend, fast-tracking developments that meet green standards; and even smaller cities like Buffalo, N.Y. are looking at ways to encourage going green.

The poster child for green building is Las Vegas, although when you think of Las Vegas, green building probably doesn't come to mind. The city has two Leadership in Energy and Environmental Design (LEED)¹ certification incentive programs: one for new construction and one for renovations of existing buildings. Buildings that are certified by the U.S. Green Building Council can qualify for significant state tax incentives. Property tax abatements of up to 50 percent for ten years and a sales tax exemption for materials used in new construction are feeding Las Vegas' green building frenzy. Developers of Silver or above certified buildings are finding that these tax advantages and the subsequent lower operating costs can substantially offset the cost of LEED certification, proving that doing the right thing socially can also be the right choice economically.

How green are these projects? As the Las Vegas Sun recently pointed out², at MGM MIRAGE's CityCenter, wood

accents are made out of old barns from across the U.S., stone was taken from a torn-down retaining wall in England, and construction materials were recycled from the building that formerly stood on the property. That's in addition to the energy-efficient windows, carpet made of recycled materials, garden roofs, and reclaimed water.

Nevada was the first state to give significant tax incentives for energy-efficient building. California faces the same issues Nevada does: a fast-growing population and challenges in developing the infrastructure to support it. Using energy, water, landfill and sewer resources more efficiently—which is what LEED is all about—is a way to sustain economic growth while delaying or postponing investment in additional infrastructure.

If new construction in Los Angeles doesn't meet LEED standards, there's an increasing risk—one certain to accelerate in the next twenty years—that the project will become obsolete. In a recent survey done by Green Builder Media and Imre Communications, more than half of the 250 residential builders surveyed said buyers are willing to pay up to 25% extra for environmentally friendly homes, which is especially meaningful in our high-priced energy market and our health-conscious community. The reality is that most cutting-edge developments in the years ahead will look to exceed LEED—not just meet it.

The concept of sustainability is easy for the public to understand and embrace, but incentives from the public sector have to be there to pull the majority of the development community along. Take, for example, the \$2,000 per house tax credit available to homebuilders using energy-efficient appliances and windows. For many small builders, the credit can be more of an administrative headache than it is worth because the economics just aren't there. Incentives are imperative, but require careful thought and planning to gain maximum impact.

Incentives for Los Angeles to consider are:

- ★ Requiring new public buildings to meet LEED Silver standards
- ★ Fast-tracking the permit process for environmentally friendly new construction that will be certified as green
- ★ Providing a property tax abatement, based on LEED certification

- ★ Providing sales and use tax abatements on construction materials for green projects

The challenges facing Los Angeles are water, energy, infrastructure and landfill. Encouraging and promoting green new construction and environmentally friendly renovations not only helps us to meet these challenges head on, but helps us preserve our future. In his book *Cradle to Cradle*, William McDonough commented, "Imagine what a world of prosperity and health in the future will look like, and begin designing for it now." Let's imagine that world in Los Angeles.

¹ LEED (Leadership in Energy and Environmental Design) is a set of standards created by the U.S. Green Building Council to recognize commercial, industrial and high rise residential building design that promotes sustainability by conserving resources, reducing waste, and maximizing operating efficiencies. Ernst & Young's team of LEED-accredited professionals assists owners, developers, architects, engineers and contractors to identify and document green technologies, audit that they're being properly implemented during construction, and apply for one of several (Certified, Silver, Gold, Platinum) LEED certification categories.

² "CityCenter One Big Green Machine," Las Vegas Sun, 22 January 2007.