

THE SACRAMENTO BEE sacbee.com

Sacramento developers use 'green' designation to draw tenants

jwasserman@sacbee.com

Published Sunday, Apr. 04, 2010

Sacramento has for years outperformed much larger cities when it comes to green building construction, thanks mainly to the eco-conscious policies of state government.

Now the green trend has engulfed the private office market as well. Developers in Sacramento – and nationwide – are using sustainability as a key marketing tool in their effort to attract tenants. It's one more selling point in a real estate climate with vacancy rates well into the double digits.

Altogether, nearly 100 commercial and institutional buildings in Sacramento, Placer, El Dorado and Yolo counties now meet either the "Energy Star" standards established by the U.S. Environmental Protection Agency or the LEED (Leadership in Energy and Environmental Design) standards of the U.S. Green Building Council, which designates buildings "silver," "gold" or "platinum."

About a third of the region's estimated 26 LEED-certified commercial buildings are now privately owned, according to the Green Building Council.

Chris Mullins, a Sacramento LEED consultant with Portland, Ore.-based Brightworks, expects that share to grow, even in a rough economy. "If you have to pay \$96,000 to get certified to get a tenant," he said, "that's the best \$96,000 an owner ever spent."

Local building owners say they're investing in heating and air-conditioning technology and water-saving devices. They're recycling building materials, switching to fluorescent lights and low-emission carpets and paints, pushing janitorial firms to use greener cleaning materials and even buying renewable energy credits.

Doug Bayless, owner of Sacramento's Bayless Properties Inc., recently retrofitted his Exposition Building on Exposition Boulevard in Sacramento to snag a LEED Gold rating.

Bayless said he spent about \$1 per square foot to upgrade the 68,000-square-foot office complex, which he bought in 2006. "I want to be sure I appeal to large, quality tenants," Bayless said.

Other privately owned buildings that have come online recently with LEED designations include Natomas Gateway Tower East along Interstate 5 in Natomas, and 2600 Capitol and Boulder Associates in midtown Sacramento.

In 2008, the Vision Service Plan headquarters in Rancho Cordova won the enviable LEED Platinum rating. At the time, the Green Building Council, based in Washington, D.C., called VSP a "showcase for high-performance, energy-efficient, healthy work environments, and an inspiration for others."

In order to gain LEED certification, builders can score points for a broad array of features, not all of them related to energy efficiency. Indoor air quality, use of environmentally friendly materials and proximity to public transportation all count.

There are different types of LEED designations – one for new buildings and another for existing structures that are modified and managed to reduce their impact on the environment.

In contrast, the government's Energy Star label is based on actual energy use. Similar to the emblem on washers and dryers, it is reserved for the top 25 percent of the nation's energy-efficient buildings. About 9,000 U.S. buildings met the test last year.

That list included 60 buildings with 8.5 million square feet of floor space in Sacramento, Roseville, Folsom, Elk Grove and Woodland. Two U.S. commercial property management giants – Hines and Chicago's Jones Lang LaSalle – account for almost half those.

When it comes to Energy Star buildings, Sacramento ranks 16th in the nation, according to a new EPA survey, far behind Los Angeles and San Francisco, which ranked No. 1 and No. 3, respectively. But the region stacks up much more competitively when it comes to LEED-certified square footage, mainly because of the large government presence here.

A Bee analysis of data from the U.S. Green Building Council in 2007 found that Sacramento had the second-largest quantity of LEED-certified office space in the nation with 4.3 million square feet, the bulk of it in state-occupied buildings. Only Chicago had more.

Examples include the massive East End state office complex next to Capitol Park and the California Environmental Protection Agency headquarters, which was the first office building in the nation to be designated platinum.

Niloufar Glosson, policy analyst at EPA's San Francisco regional center, said such green designations are increasingly necessary to win big tenants. Many governments, she said, won't consider leasing a building not Energy Star-rated.

Both the state of California and the city of Sacramento have set a minimum LEED silver designation as the goal for new office projects.

Building owners who have obtained Energy Star or LEED status say it can make the difference in a close call with prospective tenants. That's especially critical in a market like Roseville-Rocklin, where 40 percent of the best "Class A" office space was vacant in the last months of 2009, according to broker Colliers International.

Hines owns or manages 11 Energy Star-rated office buildings in that market, on the formerly booming Douglas Boulevard corridor.

"We're working very hard to be the landlord of choice there," said Cameron Falconer, a Hines executive who oversees the Sacramento market.

Hines is also working to obtain LEED status for six Sacramento office buildings it owns, he said.

Young workers, especially, want their office space to be eco-friendly, said Sacramento leasing agent Tom Aguer, who represents the 12-story Natomas Gateway Tower East.

"People want to work for companies they perceive as socially responsible," he said on a recent tour of the 320,000-square-foot building, completed in 2009. "It's part of the symbolism of a company that they're in a green building."

Natomas Gateway uses 6 million fewer gallons of water annually than similar buildings and provides better than "hospital quality" air for workers. Aguer said he expects studies will eventually show enhanced employee productivity in such buildings.

In the end, that's money in the bank, said Mark Friedman, whose firm built 2600 Capitol. "It may cost a little more to build up front, but it costs less over the long term."

© Copyright The Sacramento Bee. All rights reserved.

Call The Bee's Jim Wasserman, (916) 321-1102. Read his blog on real estate, Home Front, at www.sacbee.com/homefront.