

Green Building in Baltimore and Beyond

LAI Baltimore Chapter – April 2015 meeting



On April 15, 2015 Stuart Kaplow addressed the Baltimore Chapter of LAI to discuss Green building trends in Baltimore and nationally.

Mr. Kaplow spent the bulk of his legal career as a highly successful attorney concentrating in representing real estate developers in zoning and environmental matters. He profited handsomely from this lucrative legal career for over 25 years. And then in December of 2005, Stuart hiked to the top of Kilimanjaro. That hike ending at 19,340 feet above sea level changed his life.

Shocked to realize that there was no snow at this altitude (the glacier had receded more than 600 feet from the summit), Stuart then proceeded to climb thirteen more mountains (including the “Seven Summits”), and found the glaciers had receded from each of them. He accepted that the earth was undergoing fundamental change. Stuart has since put his professional efforts behind supporting sustainability and Green building in an attempt to foster an acceleration of energy saving construction practices.

Stuart provided our group with an eye-opening array of statistical evidence that Green building for commercial real estate is a worthy pursuit, including:

- 74% of ALL electricity consumed in the U.S. is within commercial (or non-residential) buildings, accounting for 41% of the nation’s overall energy use.
- 15 Trillion gallons of potable water each year are used by commercial buildings.
- 250 million tons of solid waste per year are produced by commercial buildings in the U.S., which is 4.43 pounds per person per day.
- Commercial buildings produce 38.1% of total carbon dioxide emissions in the U.S., while cars and light trucks account for only 20.5% as a comparison.

With these surprising stats as a backdrop, Stuart then provided findings from a variety of credible sources opining to the potential for positive change attendant from adopting Green building standards. According to these various studies, Green buildings can reduce:

- Energy usage 24 – 50%
- CO2 emissions 33 – 39%
- Water usage 40%
- Solid Waste 70%

While Stuart’s enthusiasm for his subject matter was quite obvious to the gathering, and his personal energy level was rather infectious, the picture he painted to this

point was a rather dour one. This writer began to ponder the merits of my own career financing commercial real estate. But before becoming completely depressed, Stuart offered another set of interesting statistics that helped to arrest my rapidly crumbling self esteem:

- Just in the past 8 years U.S. non-residential Green building increased from 1.4% to 44% - a whopping 3200% increase!
- 47% of new non-residential construction in 2014 was Green.
- 12.7 billion SF of non-residential construction are currently participating in LEED.
- 1.7 million SF is now LEED certified per day.

On a more local level, Stuart's news was even more encouraging, as Maryland is 3rd in the U.S. per capita number of LEED registrations with 1,901 buildings comprising 239,582,103 SF as of Nov, 2014. Apparently the Maryland/Virginia/DC region is the "hotspot" of Green building activity in the U.S. (So, those couple of LEED certified buildings that I financed in the past few years are contributing to a very positive trend! – my mood continued to lift).

Stuart apprised our group that Maryland has mandatory Green building laws for Baltimore City, Howard County, Montgomery County, Annapolis and all State funded projects. Maryland and Baltimore City have adopted the International Green Construction Code, or "IGCC". Baltimore City has recently announced a major change in that the IGCC will now be an overlay to the City's building, fire and related codes effective April 1st of this year. So all new construction (and renovation projects included) must now be IGCC green compliant within Baltimore City (Or pursue an alternative compliance path like LEED Silver certification).

There are an array of competing Green building standards that Stuart detailed for our group, including the ASHRAE Standard, ASTM Standard, Energy Star, Green Globes, Greenroads, Envision, as well as the more well know LEED Standard.

In closing, Stuart advised that there is growing evidence that Green buildings appear to be commanding a premium above non-green buildings. Examples provided included, TIAA/CREF and Norges Bank teaming up to pay \$392M for 800 17th Street, NW, DC, a 364,00 SF LEED Platinum building. This sale, at \$1,075/SF set a new high water mark in the DC market. In addition, a Houston Business Journal analysis during the 3rd & 4th quarters of 2014, concluded that LEED certified buildings had sale prices 14.4% higher than the market average (\$222/SF versus \$194/SF).

So it appears that building with the natural environment in mind can actually be a prudent business decision. This revelation restored the writer's hope for the future of the planet and enabled my return to work financing commercial buildings without the heavy weight of environmental guilt on my shoulders. Thanks Stuart!