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Energy efficiency giving building owners an edge

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John Russell is the founder of Russell Development Co., owner of the 200 Market Building in downtown Portland. The 400,000-square-foot building became the first existing multi-tenanted office building in the country to receive a LEED gold rating in 2006. (Photo by Sam Tenney/DJC)

A new twist on an old saying is ringing true for building owners these days: when they waste not energy, they want not for tenants.

“To be honest, it’s a very important marketing tool,” Russell Development Co. founder **John Russell** said of energy-efficient building systems. “There are lots of tenants who simply won’t look at being in a building that isn’t (Leadership in Energy and Environmental Design) rated or even LEED platinum. And even for tenants that are willing to look at it, their employees like being in a building that is sustainable. It gives people a good feeling and it should.”

What building owners like Russell are discovering is that energy efficiency not only reduces operating costs, but also plays an increasingly important role in terms of property value and leasing activity. Numerous programs are spreading the message that promises to become more vital as energy consumption increases.

U.S. buildings themselves consume more total energy than most of the world's largest nations. They use approximately 42 percent of America's primary energy and 72 percent of its electricity – and 68 percent is wasted in conversion and delivery, according to the Rocky Mountain Institute, a think tank for energy efficiency solutions.

But Russell said big changes don't need to happen at once. His own foray into sustainability began slowly, 24 years ago, with a fixer-upper of the grandest sort.

At 400,000 square feet, the glass-covered 200 Market Building was one of downtown Portland's largest office towers. It also was filled with asbestos, and Russell spent \$25 million over the next two years re-creating the interior.

In 2006, it became the first existing multi-tenanted office building in the U.S. to receive a Leadership in Energy and Environmental Design gold rating. Today, the 39-year-old high-rise is rated LEED platinum and 98 percent occupied.

The process involved baby steps.

"It's not a silver bullet," Russell said. "It's silver buckshot. You just turn over every rock you see."

The company gradually made relatively small improvements – elevators were upgraded, hot-water sensors were added, motion-activated light sensors were installed.

This year, Russell is a returning participant in an effort by the Building Owners and Managers Association of Oregon to take performance even further. In the Kilowatt Crackdown Challenge, commercial building owners compete against each other to see who can lower energy consumption the most. Owners team up with experts who help assess opportunities for efficiency; changes are made and then results are tracked.

Last year, the competition saved building owners 1.75 megawatts of electricity and \$1.25 million. This year, BOMA partnered with the city of Portland to expand the competition's reach. Susan Steward, the organization's executive director, said owners of 74 buildings – with 14 million total square feet – participated last year in the competition. BOMA expects participation to double this year.

"It's a free service," Steward said. "They get an engineer that comes into their building for two years and helps them identify fixes and really evaluate their systems. That would be pretty expensive if an owner were to do it on their own."

TMT Development recently spent approximately \$150,000 on a four-year process to obtain a LEED gold rating for its 27-story Fox Tower. Robert Pile, the building's property manager, said a big challenge was documenting savings already being achieved. New improvements include highly efficient plumbing fixtures that are estimated to save 1 million gallons of water per year.

Vanessa Sturgeon, president of TMT, said those savings are twofold.

“Looking around the marketplace, you look at the Class A buildings, and what percentage have a green designation? It’s probably more than half,” Sturgeon said. “From a competition standpoint, it’s something we began to see more and more prospective tenants begin to ask about up front ... it was a prerequisite for being able to filter their choices.”

That trend has played out for several years. According to a 2011 survey by CBRE, occupancy was greater in LEED-rated buildings than in non-LEED ones by an average of 3.14 percent. Also, rental rates for LEED buildings averaged \$30.16 per square foot – 4.11 percent higher than rates for non-LEED ones.

Another trend expected to push energy efficiency improvements is that while new Class A buildings are constructed with green systems, older Class A buildings must upgrade to maintain their status. For instance, the 29-year-old U.S. Bancorp Tower, the largest Class A building in Portland, is now rated LEED silver.

“The tenants in the Portland market are more sophisticated and certainly more environmentally astute,” said Ty Burker, general manager for Unico Properties, which manages the building, and the chairman for BOMA Oregon’s sustainability committee. “I don’t think it’s any secret that the Pacific Northwest has been a focal point for environmental concerns. Tenants are asking about environmental efficiency and environmental stewardship as demonstrated by a LEED rating.”

Beyond LEED and BOMA’s Kilowatt Crackdown Challenge, numerous efforts – from Oregon Gov. John Kitzhaber’s 10-year energy plan to Portland’s rigorous building energy codes – are being made to encourage efficiency. Energy Trust of Oregon is partnering with businesses to reduce consumption, and the city of Beaverton recently joined President Obama’s Better Buildings Challenge – a national effort to reduce energy use 20 percent by 2020.

But demand for energy is still growing and PGE estimates that load growth in Portland will increase 45 percent by 2030. Russell thinks building owners should start tackling retrofits.

“The percentage of American electric power that is wasted in office buildings is pretty high,” he said. “And it’s a shame because most of the power that’s wasted is low-hanging fruit, and if people just started turning over more rocks they would discover a lot of payback.”

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