

# Q&A with Brenna S. Walraven



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*This past July, Brenna S. Walraven became the first woman chair of the Building Owners and Managers Association International (BOMA), which celebrates its 100th birthday this year. Walraven is executive managing director of San Antonio, Texas-based USAA Real Estate Company, which manages 35 million square feet (3.3 million sq m) of property in the United States valued at \$3 billion. She was instrumental in developing and implementing a national energy and environmental strategy for USAA that has improved the energy performance of the company's portfolio by 60 percent and earned USAA five Energy Star awards, the first real estate company to be so recognized. Walraven also serves on the national leadership group of the U.S. Department of Energy and U.S. Environmental Protection Agency, which is developing a national energy efficiency action plan.*

**Is it true that BOMA is partnering with the Clinton Climate Initiative [CCI]?**

BOMA will help roll out CCI's Energy Efficiency Building Retrofit Program in North America. CCI has partnered with city governments, energy service companies, financial institutions, and trade organizations to launch this landmark program aimed at significantly reducing energy use in buildings, which are responsible for over 50 percent of greenhouse gas emissions in most cities, and over 70 percent in mature cities like New York and London. One important way for cities to reduce energy use and greenhouse gas emissions is to retrofit their existing buildings with more energy-efficient products and technologies.

Sixteen cities will be the first partner cities to participate in the Energy Efficiency Building Retrofit Program. BOMA will tailor an education and outreach program to explain the program and how to use it. We will then help facilitate the program's implementation by key commercial real estate portfolio owners with buildings in the six initial North American cities—Chicago, Houston, New York, Los Angeles, Philadelphia, and Toronto. BOMA will also help draft and vet an approved performance contract for participants that would end up working much like AIA [American Institute of Architects] construction contracts work. We will also work with CCI on sustainability, energy-efficiency, and market-transformation policy development.

**It seems that your work at BOMA and USAA Real Estate Company has focused almost exclusively on building energy efficiency. Is BOMA planning to focus more on green building strategies and technologies in the future?**

BOMA has been—and continues to be—enormously committed to helping our members and the industry at large move toward more sustainable business strategies. Our high-performance, sustainable initiatives include GREEN—the Green Resource Energy and Environment Network—which provides the best resources to help owners and managers wade through the sea of “green” to identify solutions that work.

BOMA has a formal agreement with the USGBC [U.S. Green Building Council] to work cooperatively to promote energy efficiency and environmentally responsible building operations and maintenance practices in the BOMA community. We're also helping the Green Building Initiative to develop its standards and adapt the Green Globes program to better fit market demand. BOMA has also been working closely on developing four green building standards—both new construction and renovations—and will continue to advocate for voluntary, incentive-based means for improving environmental performance.

**Do you see the green building movement as a fad, or is it a true transformation of the real estate market?**

High-performance sustainable real estate development and operations have clearly moved from the “niche trend” to a full-

blown shift in the way real estate is done. As far as evidence, look at the dramatic growth in the USGBC's membership—a 20-fold increase from 2000 to 2005—and it is continuing to grow exponentially with over 11,000 member organizations today. The LEED [Leadership in Energy and Environmental Design] program has grown from 38 certified buildings in 2002 to 1,326 certified buildings and more than 16,047 registered buildings as of October 1.

Top real estate companies are making some dramatic commitments. ProLogis, the world leader in the sustainable development of industrial properties, was the first real estate company to participate in the Chicago Climate Exchange. CB Richard Ellis announced that it will be carbon neutral by 2010.

When you combine all of that with the dramatic public opinion shift toward all things green—coupled with more than ten different pieces of federal legislation dealing with energy and/or climate change, 31 states signing on to the National Climate Registry to track and reduce their greenhouse gas emissions, and more than 500 mayors committing to carbon dioxide reductions similar to those in the Kyoto Protocol—there's no question that real estate has fundamentally shifted toward a more sustainable approach.

While it's still very early—we just hit the tipping point—the green shift is accelerating. The number of tenants, cities, and states choosing green is growing rapidly. In no more than five years—and maybe in as little as 24 to 36 months—you will face a competitive disadvantage if your building is not green and operating efficiently.

**As far as building owners, investors, and tenants are concerned, what is sustainability really about?**

It's about quality. When you choose green, you are saying you want to do better. You will be more efficient with resources. You will improve indoor air quality and reduce toxins. You will recycle. You will do better. You're not choosing sustainability because it's a good thing to do, which it is, but because it will lower operating costs and raise asset values.

**Existing buildings far outnumber new construction. What is the state of green renovations in the United States?**

They're not on the radar screen. First, the LEED-EB [Existing Building] program is still so new, and it's not an easy process. The USGBC is currently making changes to the program to make it easier to use for building owners, but thus far the LEED-EB certifications still represent only 4 percent of total LEED-certified buildings.

Second, there isn't a large group of people who are knowledgeable about green renovations, including building owners—particularly small building owners and managers.

Third, few building owners have long-term hold periods today. From the minute investors buy a building, they are positioning that building for resale, which can dictate a sale in as little as 18 to 36 months. If you don't think that a green renovation is going to get through the LEED certification process in that period, you probably aren't going to make the attempt.

Fourth, the business case for green renovations really hasn't been made yet. For all the growth in LEED, there are still only slightly more than 50 certified LEED-EB buildings today. Building owners want and can save more on water, energy, and waste than they spend on LEED consulting fees and certification costs. That's the business case.

When building owners and operators see that they get better indoor quality, and the financial performance is improved, then why not do it?

**What are the roadblocks to greening our built environment? Are developers a roadblock?**

The biggest roadblock is process risk. Whether you're a developer, building owner, or operator, going green is a completely new way of doing business, and it affects every aspect of the industry. If you're a developer, for example, you need some new subcontractors who understand green practices like recycling and under-floor air distribution systems. You need new engineers and architects, or perhaps the same ones if they are committed to a totally different approach, like integrated design. Supplies that you know like the back of your hand must be replaced with new green supplies.

All of this forces the developer to move from a place of "we've done it this way successfully for 20 years or more" to a place of new players, strategies, and approaches. While most developers like risk, this kind of risk is totally contrary to what they're used to doing.

The other big roadblock is really a lack of education and awareness about how much has changed. The easiest example is a project team saying "we can't do green because it costs so much more." That was definitely true when green buildings were first being developed, because designers, engineers, contractors, and developers were learning what worked and what didn't. Today, however, there are more than 40,000 LEED-accredited professionals who are well versed in what it takes to construct and operate green buildings, and they do so without a cost premium—and, increasingly, at a cost *savings*.

Wachovia [the third-largest U.S. banking chain], for example, not only has reduced energy consumption by 20 percent or more and water consumption by 25 percent or more at its LEED-certified facilities, the company also saves \$80,000 in construction costs per retail branch by doing LEED.

It's like when CADD [computer-aided design and drafting] first came out. Every architect charged a premium, because they had to invest in the system, train their teams, and even take longer getting the drawings. Today, if an architect told you that they were going to charge you more for CADD, you'd get another architect because CADD is now the industry standard. I think the same is becoming true for green buildings.

The 11-story Banner Bank Building in Boise, Idaho, for example, has a LEED Core and Shell Platinum rating. Gary Christensen, the owner of Boise-based Christensen Corporation, which renovated and owns the art deco building, told me that he didn't start out to do a LEED building, but he read *Natural Capitalism* [a 1999 book by Paul Hawken, Amory Lovins, and L. Hunter Lovins] and that led to charrettes to determine how to make the building sustainable. Late in the game, the project team decided to get a LEED Silver rating. Then the team found that it could earn a LEED Platinum rating with no cost premium.

In short, there is increasing evidence that green development and operations can be done for the same [cost] or less than traditional methods. The sooner people figure this out, the sooner every building will be constructed and operated in a high-performance, sustainable manner.

**Do you expect to see national legislation requiring new and existing private buildings to reduce their energy consumption and greenhouse gas emissions?**

BOMA and I would love to see more federal, state, and local incentives for going green—fast-track permitting, density bonuses, low-interest loans for sustainability features, rebates, tax incentives, and more—because we strongly believe that the private sector can, and will, do a better and faster job of moving toward sustainable communities.

That said, I absolutely expect that there will be increasing legislation and regulation. While I don't expect federal mandates coming within the next year or so, I do expect a more stringent approach to issues of sustainability, energy and water use, and greenhouse gas emissions within the next three years.

**With real estate markets beginning to soften across the United States, are the newly emerging green real estate investment funds a safe risk for investors?**

Without speaking to any specific fund or its risk profile, there's no question that green as a strategy makes a tremendous amount of sense because it focuses on better management of operating costs, it reduces risks associated with traditional liabilities like indoor air quality and mold, it will potentially lower insurance costs as more insurers offer either better coverage or lower costs for green buildings, and it also serves an undermet demand for green in all product types.

It intuitively makes sense that green buildings will increasingly have a competitive advantage in the market and drive higher occupancy, higher demand, and higher values and returns.

The key is execution. Green funds, like any others, need to be well executed **UL**

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