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Turning & earning green

South Florida Business Journal

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South Florida Business Journal presented its first Business of Green panel discussions on Nov. 6 at the **Hyatt Regency Miami**.

Business Journal law and environmental reporter Paul Brinkmann moderated a session on general business issues and real estate editor Darcie Lunsford moderated a session on real estate issues. Panelist bios are on page 20.

The following partial transcript has been edited for style and clarity.

PANEL ONE: GENERAL BUSINESS

Are we going to see more requirements for green business practices and LEED-certified buildings?

Paul D'Arelli: There's certainly a movement afoot across the country for mandatory green building certifications requirements. Most of them are adopting LEED as that standard.

Miami 21 [a zoning measure pending in the city] would mandate LEED silver for buildings over 50,000 square feet.

Many other jurisdictions in Florida are entertaining those type of ordinances, but others are looking at incentive-based regimens to encourage it. Oakland Park is using bonus densities.

We're seeing it proliferate quicker in other places, like California. The city of San Francisco just adopted a mandatory green building requirement. You either have to certify to LEED or meet a green points system.

How did **Valley Forge** Fabrics use green strategies to succeed?

Diana Dobin: Polyester is the fiber of choice for the hospitality industry, and that comes from petroleum. Plastic bottles are also made from petroleum. We looked at what it is we produce and how we produced it.

We thought: "Wouldn't it be great if everything we produce came from what was considered trash, from plastic bottles?" We took this model and we pushed it out to all of our production – overseas, as well as domestic.

It's helped our image, it's grown our bottom line and it's good to do the right thing.

Have you had to educate customers?

Dobin: We definitely have had to educate many of our customers – about where they're from, how they are used, how long they last, how much carbon is used in their production, in their transport, and then what are the after-life scenarios.

It is an easy sell for us because our price points haven't changed. So, we just took our existing model, and the bonus is that hotels can say, "Wow, we've got green products now."

They feel good because they're doing the right thing. Sometimes they talk about it, sometimes they don't.

Hotels throw away bedding every 18 months to 24 months. We'll take it back, and they don't pay the tipping fees to dispose of it.

D'Arelli: We've seen the same thing in the legal community with sustainability and what is emerging in the business community.

A lot of the work we're doing is being on the front lines of these changes. We've spotted how they can impact our clients, and we can go to our clients and say, "You've got these business interests here and new regulations are coming down."

By educating them, you create business opportunities. That education is a really important business development aspect for anyone who is bringing sustainability into their business model.

Why will businesses want to know what their carbon footprint is in the future?

Dr. Heike Lueger: It is very clear there are three distinct advantages that carbon foot printing will bring to a company: improved brand value, cost reduction and compliance with future regulations.

The first thing you have to do is have a baseline. You identify your major emissions sources of greenhouse gases by going into your business and looking at your activities and recording it. If you don't have good records, you won't be able to get your carbon footprint verified. Third-party verification is another crucial step.

Once you do that, you can implement retrofitting. Let's say you're a company deciding you want to switch all your lighting to more efficient lighting. You can, in theory, generate energy efficiency certificates, or a "white tax."

These credits are all created to help you finance greenhouse gas reductions, which cause global warming. Even if you don't believe in that, it's a good opportunity to generate revenue.

Can you give us an **Office Depot** case study in carbon footprinting?

Yalmaz Siddiqui: In 2004 and 2005, Office Depot started making multimillion-dollar investments in energy efficiency retrofits. Before 2006, we had no idea what our carbon footprint was.

As described, it's fairly simple: How much electricity do you use at all your facilities across your operation, and what are the state emissions factors you apply? Through some fairly simple math, you determine your carbon footprint.

We determined, looking back, that our carbon footprint in 2005 was like 400,000 tons of carbon dioxide, and in 2006 it was 360,000 tons – so a 10 percent drop.

Now, let's talk about brand value. If we put out a press release saying we reduced carbon emissions and saved $6.2 million, it would have been news. But it wouldn't have been the news it became when we said we reduced carbon emissions by 10 percent in one year.

Has the company actually sold carbon credits?

Siddiqui: We are in discussions with an organization that sells white tags. White tags basically say we increased efficiency, and now we're going to sell that to you. So, because you, Company X, are not efficient, we are going to sell those benefits to you.

If you follow the logic, we don't have those benefits anymore. Office Depot sold them.

Lueger: This is a huge issue. Not only are you responsible for your greenhouse gas emission, but also for you supply chain.

Governmental contracting is also a huge growth area. They are very interested in getting the green companies as suppliers.

D'Arelli: We've been on both sides of this at **Greenberg Traurig**.

We are advising one of the largest financial institutions about greening their supply chain. But, as a law firm, we are also on the other side. In the last three months, I've fielded two requests [from clients] who said, “Tell us about Greenberg Traurig’s commitment to sustainability.” Now, our ability to sell legal services is being somewhat tied to our commitment, as a firm, to sustainability.

Audience questions

When establishing the carbon footprint, who sets the standard?

Lueger: The one standard used throughout is the greenhouse gas protocol published by the **World Resources Institute** and the World Business Council for Sustainable Development. They have a very rigorous process where you have to assess the organizational boundaries, then the operational boundaries. The one thing you want to avoid is double counting.

The greenhouse gas protocol is available online at www.ghgprotocol.org.

Siddiqui: The answer is to start, read the protocol and think about your most significant emissions sources. Electricity is the biggest driver. [It] represents 30 percent of the carbon emissions in the country.

What are some of the products that Office Depot offers that excite you as being environmentally friendly?

Siddiqui: My solar-powered bag doesn’t have a huge carbon reduction impact because all I’m doing is charging my BlackBerry with it on the weekend. But, it’s fun – and fun is a big part of sustainability.

There’s about 50 products we offer, including compact personal lights, recycled content paper and packaging peanuts you can actually eat. We actually have a green catalog – our fifth annual catalog – with over 2,000 products.

What is the underlying value of carbon credits? It sounds like a subprime mortgage derivative.

Lueger: Across the pond, in Europe, we’re looking at a mandatory market. And I think the U.S. will be facing a mandatory market.

I’m not saying this is the best solution, the end-all for mitigating climate change, but it seems to work. You will see through cap-and-trade that the value of these credits becomes clearer. International standards are being developed.

Dobin: A few years ago, we reduced our carbon footprint as much as possible, but we still have to get our product from point A to point B. We worked with two companies that measured everything, and what we couldn’t reduce we offset with credits. We did a lot of research because we were skeptical of whether we were just spending money for no reason. We didn’t really believe that planting trees was logical, so we invested in wind farms.

We worked with a company called the Climate Trust, and we offset the difference per year for three years based on the amount of energy that we use, so wind energy could get pulled into the grid. Is it coming into the grid and into my office? No. But that was what we did and what our carbon credits did.

Lueger: I think if you have credits that can be traced back directly to the project, that’s the best idea. I’m personally very critical of forestation credits.

We've worked with companies that wanted forestation credits, so you accept the wish of the client. These trees are being planted, but it doesn't necessarily match up equally.

If you buy carbon credits directly from a wind farm project, I think that's a good idea. With renewable energy certificates, they have a serial number, but you cannot trace them back that well. With a wind farm or solar project, you can actually drive there and look at it, and it seems more tangible.

D'Arelli: Something very important in the business of green is really being very careful about your claims. The reality is everyone tends to get very passionate about it.

I'm forever battling the marketing folks and what they put out in their marketing materials. Have protocols in place internally to back-check all of those claims being made in literature.

Lueger: I had a client who set aside $20,000 to do something green, and they went out and bought renewable energy credits. For me, that is borderline greenwashing. They had good intentions, but I would be more critical. It's going to affect your brand image.

PANEL TWO: REAL ESTATE

Tell us about trends and features in EcoPlex, and what is working and what is attracting companies.

Frank Navarro: We didn't know a lot when we started three or four years ago. We did learn there are a lot of things in EcoPlex that tenants care about and a lot of things we earn LEED points for that they don't care about.

We try to focus on the attributes we can sell, whether they care about the environment or not.

Most of our tenants have some sensitivity to the environment. Some are rabid about it, like us. But then you have lawyers who don't really care.

What we put in EcoPlex that is most valuable to tenants is our raised floor and demountable partition system. Tenants can move their configurations during the term of the lease, and we can change the configuration after the tenant has left.

Tell us about cost. How much more expensive was it to build and how is that reflected in the price today?

Navarro: If you took out every green feature, you could probably have saved 5 or 6 percent. We're investors and speculative builders, so we're building a product we hope will be competitive two years later, when it's ready.

I think green is just another attribute you add to a project in a defensive tactic. Projects are either leased or not leased. It doesn't do any good to save 5 or 6 percent with an empty building.

We are getting a lot of tenants looking at us, and we know we wouldn't have gotten some of that interest if we weren't green.

Tell us about what **Stiles Asset Services** hopes to achieve by going the extra mile to build green projects.

David Seigel: We're involved nationally and monitor all the projects going on. We felt like it was something necessary for us, but it was important not to produce the last obsolete building. You don't want to be the last person to produce a building that doesn't have these green features.

We've also made a commitment at our corporate headquarters. We've gotten rid of all the water bottles and gone to pitchers. It's all about changing people's mindset.

At Lakeshore II, our first green office building, we diverted over 85 percent of our construction waste from the landfill. Before that, we didn't even investigate it. We've learned through this process. We've implemented water savings devices with dual-flush valves on toilets and waterless urinals.

What are some of the materials **RLC Architects** is using and what is your philosophy behind the **Lynn Financial Services** project you're working on?

Bruce Retzsch: We have about seven or eight offices buildings that will hopefully get certified to gold. Typically, it has to do with energy savings, water savings fixtures. At Lynn Financial Services, we're actually doing a cistern to collect rainwater.

How different is it from a design standpoint to design a green building?

Retzsch: We initially thought we could express some of these ideas in the architecture, but solar shades and things like that were eliminated. We're finding it's not that different.

We're finding around 5 percent additional cost of construction. One of the issues is the fees for consulting we've had.

Are tenants willing to pay a little more for being in a building they feel good about?

William Holly: No. We started four years ago, looking at a green building. And why did we do that? We wanted a better building.

All the buildings in Europe were recycling and we wanted to do that.

The key is: What is your intent? Is your goal to take a leadership role in your community? Do you think education is important? The other aspect is they're better buildings.

When you go to our building, everything is glass, it's all natural light. The air quality is better. We didn't do it to get more money. The savings we have are going back to the tenants. We wanted to build a better building, which I know we have.

What are some of the key things you're going to see in a green building?

Rob Hink: It's kind of true for all of our clients they really haven't seen additional rent yet, but I think it's coming as more and more people become aware of it.

We're doing a surprising amount of rainwater harvesting, which surprised me. We're doing it not only for irrigation, but also for flushing toilets.

We're doing a lot of daylight harvesting. It does increase productivity, but it also reduces your energy bill if you have automatic dimmers on the lights.

It was a struggle getting green materials at first, but we're seeing a lot more products now to actually make the buildings holistically green inside and out.

What are some of the green materials available?

Nick Gunia: Some of the materials we handle at Alterna promote resource conservation, whether it's our bamboo plywood and flooring or countertops and tiles made from recycled glass. That lowers the environmental footprint of the products.

Water conservation is also important, especially in Florida. You will have additional mandates in Miami-Dade County. They are basically requiring all new construction to have high-efficiency plumbing fixtures.

One of our large areas of focus is on water conservation and the regulatory environment is helping us out.

What are you seeing, as a designer?

Olga G. Alvarez: I've been challenged to work with green and putting together a plan of action for my customers in putting together green products. I've seen such a change in the marketplace.

I have a system called acclimation, where I sit down and work with the client, discuss what they want and what is available. Maybe they don't want LEED certification, but what are those baby steps? It's just using materials with recycled content.

I worked on a project that was remodeling a school. I specified materials for that classroom space that would make a difference.

It's important in this market to provide value and educate the client, to tell them it really doesn't cost anymore to use a product with recycled content.

In this marketplace, if you want to be competitive, are you going to have a brown building or a green building?

THE PANELS:

PANEL ONE

- Paul D'Arelli, an attorney with Greenberg Traurig LLP, is the fifth LEED-accredited professional attorney in the U.S. and first in Florida. He assists clients in green building and sustainability initiatives, including helping them understand, evaluate and navigate the LEED certification process
- Diana Dobin is senior VP of Valley Forge Fabrics, the largest decorative fabric supplier to the hospitality industry. The company's Fresh fabrics have 100% recycled content and are recyclable at the end of their life through Valley Forge's established reclamation program.
- Dr. Heike Lueger, Carbon Solutions America's chief environmental scientist, is responsible for developing and continually refining the firm's carbon footprinting methodology.
- Yalmaz Siddiqui is director of environmental strategy for Office Depot, responsible for guiding the retailer's global environmental vision to "increasingly buy green, be green and sell green."

PANEL TWO

- Olga G. Alvarez is owner and principal of Project Coordinating Services LLC, a LEED consulting and interior design firm that focuses on minimizing the environmental impact of materials in interior spaces.
- Nick Gunia is president of Alterna Corp., the leading green building products distributor in the Southeast and the Caribbean. He is also the co-founder and chairman of Dream in Green, a nonprofit organization for educating K-12 students about environmental and energy challenges.
- Rob Hink is principal with the **Spinnaker Group**, a consulting firm focused on green building and based in Weston. With 25 years of experience, he is a LEED-accredited professional with expertise in mechanical engineering, sustainability, and green building and design.
- William Holly is the chairman and CEO of Holly Real Estate. Known for its leadership in green building initiatives, it is currently developing Miami's first green office condo building, Miami Green.
- Frank Navarro is co-founder and president of Navarro Lowrey. He leads the company's business ventures while also developing and executing new business strategies. Navarro focuses on innovative building programs, leading the effort to establish the firm's Green Initiative and EcoPlex brand.
- Bruce W. Retzsch is founder and principal of RLC Architects. His diverse project experience includes corporate office building, residential developments and mixed-use projects.
- David Seigel is president of Stiles Asset Services, where he oversees the development, realty and property management divisions of **Stiles Corp.** Previously the company's VP of development, he oversaw the development of the Sawgrass International Corporate Park and Huntington Corporate Park.