

13. MARKETING GREEN DEVELOPMENTS

This chapter deals briefly with marketing green developments, in other words, how developers sell multiple-use commercial green projects and residential building projects. The projects profiled take advantage of the classic “3 L’s” of real estate: location, location and location; but they also use green building features and branding approaches to stand out in a crowded, competitive market for residential and commercial real estate.

SINGLE-FAMILY RESIDENTIAL DEVELOPMENTS

There are a variety of single-family residential green building developments. One of the earliest in the United States was a 240-home (20 attached and 220 detached units) development called Village Homes, developed by Michael and Judy Corbett in the late 1970s on 70 acres in Davis, California, a university town about 15 miles from the state capitol, Sacramento. Village Homes developed passive solar home designs, bioswale-based stormwater management, narrow streets to lessen urban heat islands, integrated bikepaths and walkways through the development, a community garden and many other amenities. It was not duplicated for nearly 15 years¹.

One of the new variety of specifically green developments (for this discussion, we are excluding “New Urbanist” developments that do not have a specific green building focus) was Civano, an 820-acre, 2,800 home development in Tucson, Arizona (www.civano.com), developed beginning in 1996 as a master development and currently served by four separate homebuilders. In 2004, Sunset Magazine named Civano the “Best New Community” in the West. The community connects people to each other and their surroundings by creating a pedestrian-friendly layout. They use drought-tolerant landscaping with native desert plants such as Palo Verde and mesquite that reinforces a sense of place. There is efficient use of resources including water conservation



Civano - Solarbuilt Home, Tucson, AZ

through rainwater harvesting and xeriscaping, energy-efficient building techniques and the wide use of solar energy in homes. The homes were designed to be 50% more efficient than the 1995 Tucson building code; a 2001 study concluded that they saved \$500 to \$800 in energy costs per year. Water use was 65% below the average local home, also from a 2001 study.

¹ A good case study can be found at: <http://www.rmi.org/sitepages/pid209.php>, and the Corbetts' own story can be found in their *Designing Sustainable Communities: Learning from Village Homes*, 2000, Washington, DC: Island Press

Key marketing principles

There are a growing number of single-family residential developments that take some aspect of green building into account. The *key marketing principles* are the following:

- **A clear sense of place:** the homes and communities must look like they belong to the geographic area in which they are built. In the desert of Tucson, homes are built with low-impact landscaping, attention to solar control and water conservation, solar water heating and smaller roads to reduce heating of roadways and the local environment during the long hot spring and summer. In an area such as Portland, Oregon, where heating is a large energy user (vs. the need mainly for cooling in Tucson), better insulation, more thermally efficient windows, and more attention to indoor air quality and daylighting mark the green residence.
- **Attention to detail:** site layout and orientation is often critical to long-term energy savings, so a master developer must include restrictive covenants for individual builders to follow. (This is the case at Battery Park City in New York, where following LEED standards is now required for all future development, following the successful market entry of *The Solaire* (see case study below), a 27-story apartment building. Marketing green developments often follows directly from the initial master planning studies and site layouts, all the way through setting development standards and monitoring compliance, through marketing during a five to ten-year development period.
- **Business partners:** often a local utility will partner with a developer, particularly to offer energy-efficient and solar home certifications. This is the case in Civano, with Tucson Electric Power offering its “Guarantee Home” program with up to 35% savings on residential electric bills². This program has 30 builders signed up, representing about 25% of the local new home market. In the Portland and Salem, Oregon area, Portland General Electric offers its Earth Advantage program to developers who agree to build a home that will test at 15% more energy-efficient than a similar typical local new home³. The home will also use low-VOC products and offer a better ventilation system. This program currently represents more than 20% of the new home market.
- **Third-party certification:** There are multiple certifications available for green homes, with many parties vying to upstage or pre-empt the anticipated “LEED for Homes” rating system. In addition to utility programs that typically certify energy performance, there is also the federal EPA *Energy Star* program that applies to appliances as well as home performance. There may also be local and state programs available to developers. WCI Communities in Florida uses a statewide building industry certification program to validate its projects (see case study below).

² See information at www.tucsonelectric.com.

³ www.earthadvantage.com

- **Focus on a target customer:** typically a middle-class customer, often a “Gen X” homeowner (25 to 40 year olds) who wants an affordable home in a community with an environmental message, less traffic, a safer environment and a community center. The 55 million LOHAS consumers (Lifestyles of Health and Sustainability -- The LOHAS consumer study is available from the Natural Marketing Institute {www.nmisolutions.com}); more information on the LOHAS consumer is available from www.lohasjournal.com.), or “Cultural Creatives” is a looming target for residential green building developers.⁴
- **Differentiation through branding:** the residential developer or green building promoter engages in an extensive amount of advertising, public relations, certification with a local utility or other program such as LEED, visual and thematic branding and other methods to differentiate itself to its target customer base. Since people have almost an unlimited number of new home choices in residential development, especially in major metropolitan areas, standing out from the crowd is essential to successful marketing. Differentiation must take into account a number of segmentation variables such as consumers' dynamic attitudes, behaviors, product usage, lifestyles and demographics.

Case Study: WCI Communities, Florida

A great example of residential branding is taking place in Florida through the efforts of WCI Communities (named “America’s Best Builder 2004” by the National Association of Home Builders.) WCI Communities is publicly-traded (www.wcicomunities.com) and has developed the brand “WCIgreen”, with the tagline “Educate. Innovate. Conserve.” With a well publicized green demonstration home in 2003, the company moved ahead in 2004 to build an entire community with green building measures in Venice, Florida, near Tampa on the west coast of the state. Venetian's green model, *Casa Verde*, debuted on Earth Day, April 22, 2004. In July 2004, The *Venetian Golf & River Club* earned *Green Development Design Standard* certification by the Florida Green Building Coalition.

Since there is no “LEED for Homes” product at the present time (nor is there one likely until probably 2006), WCI used the Florida Green Building Coalition’s Green Home Standards as its benchmark to attaining green status. *Casa Verde* demonstrates features that improve indoor air quality such as an electrostatic filter to remove particulates and ultraviolet light treatment of circulated air to kill mold and mildew. Products made from renewable sources are also featured, including bamboo or cork flooring. Materials such as tile on roofs, concrete block exterior walls and spray foam insulation rate well for energy efficiency and durability; steel studs rate well for being recyclable and for not using trees. WCI also added *Energy Star* appliances, higher *SEER*-

⁴ P.H. Ray and S.R. Anderson, 2000, *The Cultural Creatives: How 50 Million People Are Changing the World* (New York: Harmony).

rated air conditioners and tinted windows to conserve energy. The next project will be a “Zero Energy Home” that will further explore on-site energy production.

WCI began its journey to sustainability in 1999, with a directive from the company’s CEO, Al Hoffman, Jr., to begin making its homes more environmentally responsible. The company hired Karen Childress as its first Environmental Stewardship Manager shortly thereafter and began to explore options in adding environmental features to its offering of high-end (average price about \$500,000) primary and secondary residences for upper-income consumers, both in single-family and condominium units. Since embarking on this mission, WCI has received considerable national media coverage for its commitment to green building and for the results. With the CEO’s support, Childress has been able to work with designers and project managers, to integrate green features into a portion of the current offering of homes. What’s interesting, she reports, is that there is a heightened level of internal company competition to design ever-greener homes, to meet the CEO’s mandate.

In 2000, the Florida Green Building Coalition (FGBC), a not-for-profit organization, moved forward and developed a set of standards as a benchmark for green homes in Florida. Each of these standards requires a demonstration of environmental stewardship at various stages of home construction. WCI has worked closely with FGBC and was the first builder in Florida to commit to building an entire community of certified green homes. In the absence of a national standard for green homes, the building community stepped up and created a Florida version. *This is a development that other home building marketers may want to emulate.*

WCI has worked closely with FGBC on several projects including construction of “the greenest home in Florida” at its Evergene community. WCI was also the first builder in Florida to commit to building an entire community of certified green homes at Venetian Golf & River Club. In June, 2004 four model homes at Venetian were awarded green certification for exceeding the requirements for Florida Green Building Coalition (FGBC) certification. Demonstration and use of native plant and water conservation earned certification from the University of Florida’s Florida Yards and Neighborhoods Program (FYN). The models also received certification from the EPA as Energy Star Homes and from FPL’s BuildSmart energy efficiency program.

WCI also illustrates the power of partnerships with other organizations to create standards for communities and give the marketing of them more of an imprimatur of respectability. In 2001, WCI teamed up with the nonprofit environmental organization Audubon International (AI) which operates in 20 countries around the world. AI worked closely with WCI to develop and implement new practices to enhance the sustainability of many of the existing and planned communities.

As part of WCI's commitment, in building 10 new communities in Florida, from conception to completion, it is following the principles of sustainability as defined by AI. Designers and builders of these projects address water and wildlife conservation, water quality assurance, vegetation preservation, energy efficiency, and environmental education and outreach. (Most of these standards deal with the land development itself and not so much with home design). In October 2003, Audubon International presented the *John James Audubon Environmental Steward Award* to WCI for setting a new standard for building green homes and sustainable residential communities. WCI was the first homebuilder to receive this award.

Marketing Issues. WCI also illustrates the difference between a broad marketing strategy and just a public relations strategy, in terms of green homes. It's not yet clear that the link has been made with the homeowner to explore how the marketing principles enunciated above can be incorporated into the basic home design. Currently coastal Florida is a "seller's market," with so many Baby Boomers retiring and seeking warmer climates. Many pay in cash and so are not influenced by mortgage rates. However, they are very concerned with future utility costs and more importantly, with health issues, so that developments that provide information on health benefits and certification of the healthy features in their homes can help establish themselves as the experienced and responsible choice.

WCI sponsored consumer research with the University of Florida's Energy Extension Service in 2002 and found, for example, that more than 75% of consumers say they would pay more for a green product, with 41% willing to pay up to a 10% cost premium for energy and water saving appliances; 87% would pay more to save energy if they recovered their investment within five years⁵. For example, how important is indoor air quality, compared with energy and water savings? One would guess that the higher-end consumer is much more interested in personal health issues than in broader environmental impacts of energy and water use.

Finally, WCI believes that its stated and well publicized environmental commitment helps to insulate it from charges of "greenwashing." Childress states "by seeking certification from third parties, WCI has raised the bar on its already high environmental commitment in all aspects of community development. By treating the land respectfully and building demonstration green homes, we are teaching what makes a building green" (personal communication, September 2004).

Other residential projects

In Denver, the new 27-acre Highlands' Garden Village (HGV), Denver's latest planned "New Urbanist" neighborhood, was developed by the Jonathan Rose Companies LLC (www.rose-

⁵ Karen Childress, WCI Communities, personal communication.

network.com) on the site of a former amusement park and botanical garden. HGV is a mixed-use community just 10 minutes' drive from downtown Denver. The development includes single-family homes, townhouses, and apartment units that are available to a variety of incomes; it also contains 150,000 square feet of office and retail space. HGV occupies a previously developed but abandoned site, and creates the opportunity for some residents to walk to work; the site is also transit-linked, with its own bus stop. Moreover, all of HGV's building materials - recycled and recyclable - exceed the standards of Colorado's *Built Green* program (www.builtgreen.org). Concrete from site demolition was reused for roadbeds, the landscaping is drought-tolerant native species, and some of the buildings run on alternative energy sources such as wind-generated electricity. The Village's car-share program provides vehicles fueled by compressed natural gas that can be rented by the half-hour. In March, 2003, HGV received the US Environmental Protection Agency's 2002 *Clean Air Excellence* Award.

In a recent interview, HGV developer Jonathan Rose said, "there are no proven facts, but we have found that when we build green homes, they sell much quicker than the rest of the market, and they sell for higher prices... We include not only the environmental qualities of the building,

but also being in the right location, having gardens all around... So we're selling both community and green; you can't disaggregate them."⁶



The Henry Condos, Portland, Oregon

MULTIFAMILY RESIDENTIAL DEVELOPMENTS

Development of green building condominiums is beginning in larger cities of the U.S. In Portland, Oregon, the developers of *The Brewery Blocks*, a five-block mixed-use development of about 1.7 million sq.ft. in five buildings, have registered all five of the initial development projects for LEED certification. The first residential building, "The Henry" is a 15-story, \$50 million high-rise that includes a retail base

of approx. 11,000 sq. ft. on the ground floor, with three floors of parking above and 11 stories of 123 luxury condominiums priced from \$199,900 to \$1,180,000. This project has the highest prices for any local condominiums (in excess of \$300 per sq.ft.) and was sold out seven months before completion (see Chapter 11). Initial costs were not higher, even though the buildings are aiming at a LEED Gold certification. As for public relations, the project was featured in a cover

⁶ In *Metropolis* magazine (www.metropolismag.com, May 1, 2004).

story in *USA Today* (March 31, 2004), making “mainstreaming green” one of the ultimate goals of project publicity (www.thehenrycondos.com). The project is expected to save 30% annually in energy and water costs, or about \$91,000 per year (about \$700 per unit). The Henry also features sustainable materials, including wheatboard cabinets, natural-fiber carpets, certified-wood floors and low-VOC paints and sealants.⁷

Also in the Northwest, Unico Properties, a large property management and development firm, has announced plans to convert the historic, 75,000 sq.ft. 1910 *Cobb Building* in downtown Seattle. To better use the building's features and to preserve the history and beauty of this unique building, Unico and the University of Washington will upgrade the building's systems and redevelop it into a high-end, 90-unit apartment community, with a renovated retail level on the first floor, with occupancy in the fall of 2006. The building will pursue a LEED Silver rating⁸.



The Solaire, New York, New York

On the opposite side of the continent, New York City's Battery Park City Authority developed *The Solaire*, a 27-story, 357,000 sq.ft. apartment building that has gotten similar publicity, and which rented its 293 units quickly, at 4% to 5% above local market rates⁹. Developed for the Authority by the Albanese Organization, *The Solaire* (www.thesolaire.com) features extensive use of solar photovoltaic (PV) units and estimates it will cut overall energy use by 35% and peak-period electricity use by 65%, a major savings in a very high-energy-price city. The *Solaire* received a LEED Gold rating in 2003 and also a “Top Ten” award from the Committee on the Environment of the American Institute of Architects (www.aiatopten.org). The project features an on-site wastewater treatment system, stormwater catchment to irrigate a rooftop

garden on the 19th floor, upgraded residential air filtering and a PV system that supplies 5% of the building's peak electric power demand. Each year, 5,000 gallons of treated wastewater is used for landscape irrigation. The marketing for *The Solaire* included extensive local publicity around the ground-breaking in 2001 and heavy use of a web site, including a construction webcam

⁷ Portland *Daily Journal of Commerce* magazine, May 2004, www.djc-or.com.

⁸ www.unicoprop.com/property/seattle/cobb.aspx.

⁹ *USA Today*, March 31, 2004, www.batteryparkcity.org.

during the development. The project's web site makes extensive mention of the green features, including a focus on healthy indoor air, certainly a major concern in New York City. Tax credits and state grants totaled \$3.3 million for this \$115 million project, built for a construction cost of \$247 per sq.ft. and completed in August 2003¹⁰. After a personal site tour, however, we have to state that this project has a breath-taking location along the Hudson River, with views across the river to New Jersey and New York Harbor, including the Statue of Liberty, and a riverfront public park adjacent to the building.

COMMERCIAL DEVELOPMENTS

We have previously mentioned the residential portion of The Brewery Blocks in Portland. The

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We don't just construct a building. We integrate daylight in spaces with light shelves, reduce heat gain with high-efficiency glazing, and install operable windows.

We don't just specify environmentally-friendly materials and finishes. We research alternatives and consider new products – like wheat-board cabinets and bamboo flooring.

We support innovation. We installed a building integrated photovoltaic system as a demonstration project on one building, the first such installation in Portland.

We see every project as an opportunity to apply the latest advancements in the green building industry – whether we're redeveloping historic buildings, starting with new construction or designing our own office.

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AS A SUSTAINING MEMBER OF THE NATURAL STEP AND A MEMBER OF THE UNITED STATES GREEN BUILDING COUNCIL, GED IS PROUD TO BE ONE OF THE PACIFIC NORTHWEST'S SUSTAINABLE DEVELOPMENT LEADERS.

commercial portion encompasses three city blocks and has been equally successful, with most buildings well on the road to being fully leased in a very soft office rental environmental (with local Class A downtown vacancy rates in Portland hovering around 15%). Each of the office towers has a commitment to achieving at least a LEED Silver certification. The developer, Gerding/Edlen Development (www.ge-dev.com) has made their commitment to green buildings and sustainable practices a major point of marketing differentiation as shown by the advertisement here, which the company has begun running in local and regional trade media. In the ad, Gerding/Edlen calls their approach “responsible, efficient, essential,” which might be the best way yet to describe sustainable design to the marketplace.

In another development, the *Atlantic Station* project in Atlanta, Georgia, has committed to LEED certification of its projected 6 million sq.ft. of Class A office space in a total of 12 million sq.ft. of total development¹¹. Being built by a joint venture of insurer AIG and local Jacoby Development, Atlantic Station (www.atlanticstation.com) has reclaimed a brownfield site from a former steel mill on the north end of Atlanta's central business district.

¹⁰ www.leadcasestudies.usgbc.org.

¹¹ See article in www.buildings.com, August 24, 2004.

Case Study, Vulcan Development, Seattle, WA

In Seattle, Washington, one of the largest private landowners and real-estate developers is Vulcan Inc., owned by Microsoft co-founder Paul Allen. Hamilton Hazelhurst is real estate development manager for Vulcan and an architect. The company subscribes to a “triple bottom line” of economy, ecology and equity for its projects. In 2001, Vulcan commissioned the Urban Environmental Institute to produce a *Resource Guide for Sustainable Development* to guide the company's subsequent development efforts. In a recent interview, Hazelhurst says:¹²

We believe many sustainable strategies will in fact distinguish us in our market and make us more competitive. For instance, we believe strategies that conserve energy and reduce water consumption will be attractive to tenants in a competitive triple-net market (where tenants pay for these costs directly as pass-through expenses), or to landlords in gross markets where operating costs are factored into the base rent and their bottom lines can benefit directly from savings. On the other hand, landlords in a triple-net market who pursue these strategies must be convinced that they will get a rent premium, experience an earlier lease-up or achieve sufficient long-term value for their investment.

Here, Hazelhurst succinctly states the business case for green buildings for developers with long-term perspectives. Vulcan also expects that their growing reputation as a “good guy” developer will help in future permitting efforts. In addition, they believe that the green building features, including very detailed economic analyses of the benefits of green buildings, will help them in making proposals to large companies looking for space. Green building certifications help build credibility into their marketing messages. Marketers need to take advantage of these insights to make their case to building owners for green buildings.

Hazelhurst believes that the LEED-CS (Core and Shell) program will help developers such as Vulcan who do not control tenant improvements in their projects. He believes that LEED-CS is another incentive to help educate his firm's business clientele. He states:

*Part of what you do as a core and shell operator is to suggest choices for tenants, and it's still a challenge to encourage them to build out their piece in a green manner. But it's a key opportunity to educate end users about green principles, and we're developing guidelines about how they can proceed with that.*¹³

¹² www.betterbricks.com, interview with Hazelhurst in June, 2004.

¹³ Portland *Daily Journal of Commerce*, September 24, 2004, www.djc-or.com.

In their marketing efforts, Vulcan sells green buildings in three ways:

- Return on investment, in terms of reduced operating costs for energy and water
- Value of productivity improvements and employee satisfaction
- *Value-based* sustainable features that a company can use to express its commitment to its employees and to influence the way in which the company will be perceived.¹⁴



Vulcan has completed two buildings that aim to become LEED Silver-certified, including a 5-story, 113,000 sq.ft. life sciences laboratory facility, *Seattle Biomedical Research Center*, and a 160-unit apartment project. (The company is starting on a third LEED project at this time.) Strategies include water and energy conservation, improved indoor air quality, rainwater retention and re-use on site, reflective roofing materials, low-VOC interior finishes,

and efficient building systems expected to reduce energy use by 20% to 30%.

A new project, still in the design stage, *2200 Westlake*, just north of Seattle's downtown area, is projected to be a 360,000 sq.ft. mixed-use project with a hotel, 60,000 sq.ft. of retail and 260 condominium housing units. (This project is participating in the "LEED for Core and Shell" pilot program). The project plans increased daylighting (a must in a cloudy climate like Seattle's), operable windows, green roofs, rainwater re-use, low energy and water consumption and environmentally sensitive building materials. As a commercial developer, Vulcan wants 60% to 70% lease commitments before committing to construction, and they feel the green features help this process along.

¹⁴ *Ibid.*

Case Study: One Bryant Park, New York City

For the *ultimate* in sustainable commercial development, consider the *One Bryant Park* development in New York City, scheduled for completion in 2008 by the Durst Organization (www.durst.org), the developers of the well known Four Times Square, an early green high-rise in that same neighborhood. This 2.1-million sq.ft., \$1 billion-construction-cost development aims at achieving the highest LEED Platinum status through an entire suite of green building measures. The building at Sixth Avenue and 42nd Street in Manhattan, is scheduled for completion in 2008. Bank of America will be headquartered in this new, 51-story, 945-foot-tall skyscraper, which will be called the *Bank of America Tower*; it will occupy nearly half of the building's square footage and is a co-developer of the project.

Among other things, the new 40,000 sq.ft. base-floorplate skyscraper will feature a fresh-air shaft, an advanced double-wall glass skin, an onsite storm-water treatment facility for recycling 100% of incident rainwater, an on-site 4.5-MW cogeneration electrical plant with associated thermal energy storage system, a gray-water cooling system, underfloor air distribution and waterless urinals. The designers are also considering the viability of having onsite a geothermal well and an anaerobic digester for on-site wastewater processing to generate water for toilet flushing.

The project aims to save \$3 million in annual energy bills, to conserve 4 million gallons of water per year, and to filter 95% of all air particulates (vs. 35% for a typical building). The development partner, Bank of America, owns 50% of the project and has "bought into" the green building features, primarily as a productivity and employee benefit program, as it plans to house 5,000 employees in the building. Architects Cook+Fox of New York are leading the charge for sustainable design at the LEED Platinum level for this project, based on principal Robert Fox's successful experience with Four Times Square and the New York Times building while with a previous firm.