

Multi-Family Goes Green

Apartment owners face a unique set of challenges.

By PATRICK S. DUFFY



Although multi-family housing is currently the healthiest among the various real estate sectors, it has not necessarily been on the forefront of the green building revolution which has characterized single-family homes. Although that is quickly changing, there still remains a great deal of confusion about current standards, costs and regulations that are starting to emerge from various cities across the U.S.

Fortunately, for builders and operators of multi-family projects, higher unit densities, smaller square footages and shared common areas or services make them substantially more sustainable than their single-family counterparts -- even before any green building techniques are employed. For example, a recent study funded by the EPA found that a typical apartment uses 38 percent less energy than a green single-family home. For those households looking to move from a typical single-family home in a far-flung suburb to a green multi-family building adjacent to mass transit options, the energy savings could exceed 70 percent.

However, simply building to green standards does not automatically generate cost savings, in large part because standards such as LEED don't actually guarantee lower energy bills. Instead, they cover a wide range of environmental issues such as selecting specific building sites and using sustainable materials that may -- in some cases -- actually cost more to operate.

To address that issue, a number of municipalities and building owners -- including the U.S. Army -- are instead turning to metrics

which sync more easily with building codes. In California, CALGreen is slowly replacing LEED requirements, while other cities and states nationwide are reviewing adoption of the International Code Council's own Green Construction Code. The general idea is that LEED can return to its roots as a voluntary set of standards for those developers wanting to go the extra mile, as opposed to a system adopted for establishing mandates.

Still, LEED continues to be very influential, having recently introduced its program for multi-family buildings with a height of four to six stories. And, although the National Green Building Standard started by the NAHB in 2007 has mostly been oriented towards single-family homes, a growing pipeline of multi-family certifications is beginning to gain traction.

One major stumbling block for multi-family operators seeking to obtain green credentials or tax incentives is minimizing energy use, and for that they're increasingly turning to benchmarking. With benchmarking, operators regularly monitor energy use to determine whether a building is improving in comparison to itself, other buildings in a portfolio, and against similar structures. Yet even as cities are starting to mandate benchmarking using tools such as the EPA's Portfolio Manager, the wide disparity in energy use for garden, mid-rise and high-rise multi-family buildings has made it difficult to create universal standards. Moreover, because the use of energy by individual tenants is protected by privacy laws, most energy audits remain focused on major building systems and common areas. Until individual energy usage is shared between

utilities and the Department of Energy or local jurisdictions, benchmarking for multi-family buildings will remain incomplete.

For now, the federal government is continuing to offer tax-related incentives to multi-family developers and operators. Besides 45I federal tax credits, which provide \$2,000 for each energy-efficient unit (as determined by a third party) built over the past three years, applicants can seek a 179D tax deduction of up to \$1.80 per square foot for the design of new and retrofitted mid- and high-rise energy-efficient buildings. Still, due to the application process or lack of awareness, both of these programs remain underutilized. In the long run, however, building owners will increasingly be asked to provide energy use data to the ultimate arbiter -- their prospective tenants.



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Fast Facts

- Multi-family units are inherently more energy-efficient than single-family homes.
- LEED standards don't guarantee energy savings.
- The EPA's Portfolio Manager makes it easy to benchmark energy use.
- Federal tax credit and deduction programs for energy-efficient units remain underutilized.