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M E M O R A N D U M

Notes · Stakeholder Interviews

To Heather Nelson Kent, Metro

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From February 21 through March 6, Communitas and ECONorthwest conducted a series of eight telephone interviews representing the real estate development, design, appraisal, lending, landscaping, building, and public permitting sectors. Stakeholders responded to five questions as they felt comfortable and applicable.

This memorandum is a summary of the responses we heard; for ease of use some comments have been organized by general topic. The ideas and feedback discovered through the interviews will be incorporated into developing recommendations for Metro's future role in sustainable building and landscaping.

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Compiled responses

Q1 What do you see as the greatest barriers to broader adoption and implementation of sustainable building, maintenance, and landscaping practices throughout the region? Where are builders, developers, and property owners getting stuck with sustainable implementation?

BARRIER · COSTS AND FINANCING

- Costs overall; learning something new (for banks and developers) is difficult, so have to have a passion for it.
- Lending: green projects that are cost-affordable exist, but from bank's perspective there aren't enough comparables for higher appraisals. Generally, sustainable building practices are more expensive and they can't lend higher Loan to Value just because it's 'green'.
- Valuing "green" improvements for lending. Appraiser would have to know how to calculate NOI with high energy efficiency. Need to be educated in NetZero or LEED platinum properties. Harder part is determining resale value.
- Perception that there's not a "premium" in rent for sustainable developments. Developers that aren't long-term owners of the buildings have little incentive… data starting to refute that, but the perception is still there. Educating developers that are behind the times don't get it. Those that do get it don't want to create competition.
- Financial constraint is also there. Concerned with higher costs and which practices are justified.
- Financing renovations for sustainability-specific improvements (ex: solar panel or efficient furnace): Unless they get financing through company selling green materials, bank will want to refinance first mortgage to fold in new improvement. Bank will only go into second position if they are already the first holder. Could consider cross-collateralization if have other properties with value. Mostly, not financeable through the bank.
- Typically appraisers and lenders don't have the time to spend to analyze dollar value of energy conservation and return. Not a big deal for smaller properties, but could be significant financial value for larger developments.

- Market demand and value. If there is a market and if it helps sell properties faster and higher, then willing to do it.
- Not enough value for the business model. Need to see market advantage. Some builders have found the niche, but traditional builders are not necessarily finding success. Newer builders, recently starting up are proving out better largely because they are setting up their business to capture the emerging sustainability market. Those in business a long time appear to be the least likely to change.
- Can't get the increased value through appraisals, so can't get lending for premium costs. There are no lending incentives for providing sustainable building features.

BARRIER · KNOWLEDGE AND INFORMATION

- Lack of understanding about what can and can't be done and what is financeable. There is a lot of misinformation (ex: "recycling just gets thrown into the landfill anyway", "the extra work doesn't do anything.")
- It takes significant effort to dispel the myth. Many contractors don't even try to explore sustainable building – just believe it to be too expensive.
- LEED mandates can be a barrier. Contractors are learning about how it works because they are working on public projects, and it removes some of the mystery. If it saves them money, they will do it. If it doesn't help, they resist.
- Main issue: Getting the word out and consumer adoption. We are in the early stages of green building; impressed with how quickly it has worked its way into mainstream awareness. In the Northwest it is generally seen as a positive move.
- Energy Efficiency: Confusing mishmash of stuff - compare policy objectives with costs and so many options. Not a simple way to make a decision. Requires a lot time and knowledge to iron out the details. Lack of staff capacity.
- In our zeal to be 'green' (as a society) we often lose track of what really matters and how to be the most environmentally sensitive. Example: Remodel project for multi-family with many perfectly good refrigerators that do not have Energy Star rating. However, the standards are necessitating replacement of all refrigerators. What is the combined impact of that action? Seems like the energy and waste that goes into manufacturing a new refrigerator is greater than the efficiencies gained with Energy Star. We forget the big picture.

BARRIER · CODES / REGULATION / ADMINISTRATION

- Building department has looked into what it can do to encourage deconstruction -- what it takes to require deconstruction, to reduce the materials that end up in the waste stream. Came away with mixed results: difficult to require it, so instead chose voluntary compliance. Building officials felt that it was too difficult to administer this program. Restrictions from state building code say that the city cannot create a fee for a permit it doesn't issue, and it was not clear the city had the authority to create the permit. Staff have worked with Bryce Jacobsen on this to look at Metro's ability to require a regional permit process to overcome the State issue. Process began in 2009. Builders outreach in March of 2011. Attendance was not great.

- No incentive right now for voluntary compliance – the program is mostly about providing information. Looking at reducing costs of permits for construction when deconstruction is part of the mix.

- Major issue is the difficulty of monitoring and measuring success of deconstruction. Permits are not necessarily required for demolition activity in remodels or rehab, only for complete demo. Too hard to measure. Too hard to administer – someone has to be in the field actually measuring it. Maybe partnering with Metro to do it at the site of waste collection could be helpful. This would be a great role – Metro to help think through how to put the program in place and measure compliance. Many cities have had layoffs in development review and lack capacity to pursue this.

- Code has nothing in it to incent or regulate toxics or anything around building practice. Landscaping regulation does not allow certain trees, but there's nothing that requires or encourages it. Lack of regulation is a barrier. Putting more regulation on properties is extremely challenging right now; adding will take time and effort and staff levels are low. Political support just isn't there. Staff saw themselves as sustainability leaders in the region, but a lot of that energy has deflated.

BARRIER · OTHER

- Biggest barrier to sustainable landscaping practices is aesthetics. Every gardener wants a beautiful, low maintenance garden. The native plants don't always look as good. Ecolawn is a possibility, but nontraditional and some people think it looks weedy. Some consumers just want a green lawn that looks consistent. Starting to see a shift in the direction of a different aesthetic, but it's not pervasive throughout the region. Landscapers can be pretty responsive to changes in demand, because their stock turns over annually. Nothing is longer than a three-year turn-over.

- Many developers and large building owners place responsibility for demolition and construction waste management onto the contractor. They are not necessarily engaged too much on ensuring maximal recycling or deconstruction practices are used.

Q2 Is there something Metro, as a regional government, could do to overcome these barriers that private industry or cities/counties can't?

METRO ROLE · CONVENING

- Metro could play a good role in helping to organize and connect jurisdiction efforts to regional outcomes; help to justify the activities. Would like technical support role from Metro in reviewing development code, developing programs, measuring outcomes, and contextualizing the information. Continue to be a good source of information (very pleased with the materials Metro has produced to date).
- On-site stormwater retention facilities continue to be an issue for builders. Great in concept, but isn't working in all situations. Struggling with ongoing maintenance once turned over to HOA or similar private party. Metro started a conversation in the past and would like to continue working on the issue - it's still a problem. This is the right place for Metro to help convene partners to discover a regional solution to making sure these stormwater facilities continue to perform over time.

METRO ROLE · RESEARCH / BEST PRACTICES

- Metro could work with developing plant varieties that fill the sustainability need but meet consumers aesthetic standards. Plants that are bullet-proof don't look that great - Oregon grape is an example. Is there an opportunity for hybridization to create more attractive plants? People look to magazines and shows, and if they can see how that natives look nice, it makes a big different. Much more likely to go that way if they can see it. Publications in gardening magazines. Younger generation is already going that way.
- Over the last decade, have not seen a large shift in the kind of plants available, but that is likely to be very different in the next 25 years. This is going to change, and the landscaping industry will respond.

METRO ROLE · SIMPLIFYING CHOICES AND INFORMATION

- It is challenging for homeowners to think about all of the ways that they impact the environment. And the instructions are constantly changing - it requires

research to know what you should be doing. Too easy to do it wrong and people can get overwhelmed. Needs to be made simpler.

METRO ROLE · TRAINING

- Recommend education programs for contractors. Fairly short, simplistic, one-on-one classes with contractors; offer a financial incentive to the contractors to participate (reduction in fees / SDCs). Refuting some of the big myths could go a long way to gaining adoption of sustainability practices. Make sure to get the big decision-makers in the company.

METRO ROLE · FINANCIAL INCENTIVES

- Metro should focus on carrots, not sticks. The market is moving forward with green building, don't get in the way. Tax breaks are a simple option for public sector to use [not sure how applicable to Metro though - maybe legislative advocacy along the lines of the energy efficiency rebates/tax credits]
- Lenders are not seeing a lot of demand for sustainable building practices. Much can be attributed to the decline in projects overall.

Q3 How would you characterize your customers' interest in sustainable building and landscaping practices? What is the single best way to affect customer choices in building and landscaping?

- With smaller rehab projects and owner/user, individuals will spend more for the sustainable building element. Not the case for the larger projects where the end user is not necessarily the investor.
- General public sees value in (1) energy cost savings - anything that can be done to quantify the value, the better for moving things forward; financing via utility savings is working, and (2) health aspect - cleaner air quality. Need a better way to quantify health. Other sustainable practices are viewed as nice, but consumer is not necessarily willing to pay extra or drive the market in that direction.

- There is interest in tax incentives associated with deconstruction, and on occasion, people really do care about it. Get a lot of high end redevelopment. Most developers don't really seem to care one way or the other. Have seen some increase over time, developers are changing strategy and trying to differentiate themselves because of the recession: focus on infill and LEED. There's an interest in it, but it isn't strong enough to overcome market issues. Have been encouraging on-site stormwater retention and getting "less resistance" to is, especially when they realize that it costs less (less pavement).We build and hold our properties. We have ensured indoor air quality with non-smoking policies. Other than that, the biggest way to make a difference for our tenants is through energy efficiency measures / reduction in utility bills.

- Definitely seeing an increase in expectations for sustainable practices. Clients are requiring it. Contractor has lost some projects because it isn't their primary marketing message. Clients tend to be especially concerned about energy consumption. They are being pushed to create more sustainable buildings for the same cost. Don't want to pay extra for a better building. Frequently asked to provide back-up (cost savings, etc) to justify any extra expenditure. Showing increased demand for "healthy materials", that contain fewer toxins and don't off-gas.

- Historically, green homes have been more expensive to build. That memory is strong with lenders. Seeing more progress on commercial side: all sizes.

- Haven't yet seen green building elements that are devaluing property. Good news.

- Seeing experienced developers transitioning to incorporate green building more - mostly commercial. Not seeing as much change with production builders.

- Clients were more interested before economic downturn. Firms in EcoBiz are doing better because of it, but that part of the business is such a small section of their overall revenues.

- Some clients have concerns about organic/native plant products and others are very negative toward it. Would be interested to know if there are locational differences in attitudes (inner city vs. suburbs).

Q4 We're exploring how to change the way building and landscaping are practiced in the region. What are some ideas you have for significantly increasing adoption of these practices / realizing change?

- There is need for a PR campaign. If the general public is behind you and demanding it, the industry will follow. Get regular people out there to deliver the message (i.e. smoking cessation and public health campaigns).
- Finance up-front improvement expenses: amortize utility cost savings for revolving loan program or similar. Look at HB4040 - if it doesn't make it through this session, advocate for it or similar bill next year. This type of program is probably best suited for state level action.
- Need to have enough transactions to realize actual value. Have to prove out the financial benefit. It is just too early in the current era of sustainable building to have enough comparables. Appraisers don't make decisions for the market, but reflect what the market is demanding. There needs to be something tangible: increased rent, lower operating expenses, reduced turnover, and shorter marketing times. Non-tangibles, such as employee health and reduced turnover, are important, but too difficult to convert to real estate value.
- With an existing building it's easy to prove value of lower operating costs. New buildings with new technologies haven't proven out yet. Will be easier to justify as the market matures. Not all technologies are known; new is less predictable (ex: early energy-efficient building in CA in the 1980s led to significant health problems for occupants because they sealed the building too tight and hadn't worked out circulation issues yet.) Have to move through the early tests to stabilization before appraisers will consider. Can't be speculative. Have to deal with facts at hand.

Q5 Through our research, we have identified a number of strategies we might consider to reduce development impacts. What do you think of the following ideas? Are there any where you think a regional government could be especially effective or non-effective?

A Revise waste management system to include re-use and incentives for reduction

- We will pursue anything that's simple and is the right thing to do so long as it is cost neutral or beneficial. Generally, it is who we are and part of our business model.

Efforts that would greatly increase costs would take further investigation and consideration of cost-benefit tradeoffs.

- Contractors might benefit from a visit with a Metro waste person, as part of project start-up, to explain waste removal options. Charge a fee for waste removal and waive it for compliance with certain behaviors.
- Hard to pull anything out of the waste stream at the dumping site. Getting more involved at the front end, sorting on-site, is more beneficial. Re-use is not happening for most.
- Re-use concept is not really applicable for landscaping. Soil doesn't have the same inherent value. More an upstream issue: "respect what is here" approach. Education and design to look at and use what is there.
- Green waste collection (yard debris/composting) is having an increasing impact on fuel consumption - need to make sure we are looking at the tradeoffs and how to minimize. Many in the industry aren't using yard debris barrels. Look at design that minimizes pruning and landscape waste - right plants in the right place.
- Design a new truck that collects all products, not three trucks driving around every pickup day.
- Upfront deposit ties up money early, which is hard on the builder / developer. Better to look for a true incentive - something that would be viewed as increased value. Look to create an initial pool of money to provide rebates for savings.
- Re-use could work, but will require education and training to break current habits. Recent experience with working to dispose of fairly new materials - Craigslist worked perfectly. Find more examples of how this could work at a bigger scale; would help builders adopt the new practice. ReBuilding Center seminar was effective.

B Provide sustainable building training and technical assistance to permitting staff

- YES to technical training to building permitting staff. Please. We really want this. Also good for inspectors. Important to change the culture. There is resistance to additional work. [response from city permit staff]
- Not really applicable for landscapers; very little permitting activity
- Universal issue with all building plans - staff can always use more training to think through logical and reasonable solutions. Not looking for work-around to code, but review/implementation that is focused on the desired outcomes. Too often review gets into the details and loses site of the objectives. Example: historic office

building where windows can't be replaced, but the windows leak. So, everyone plugs in a space heater: not energy efficient and probably not fire safe. Need a way to find a better, sensible balance of policies and regulations. Sometimes regulations are in conflict and need to be clear on what we're trying to accomplish.

- In general, new techniques and products are a struggle to get through permitting. Private sector is typically a little ahead of city engineering/inspection staff on new products or ideas. Consider helping city permitting departments set up systems to quickly assess and process new innovations within a project. Right now, a new product means more hassle and potentially more time to get a permit; therefore a builder is likely to stick with tried-and-true, even if it isn't 'sustainable'.

C Provide additional research on different methods of sb+l to help industry see the choices more clearly.

- Yes. Very important. It's too late by the time they get to the permit counter. They've already made a lot of decision.
- Working with a lot of contaminated properties where it is expensive to replace the soil. Research/fact-based information on the most cost-effective and sustainable methods for cleaning up contaminated sites would be most helpful.
- Industry faces challenges with understanding new techniques and products - not enough testing time and value over time. Ex: tight building envelope and mold/poor indoor air quality (especially big issue in '05-06). Need more locally-based research approach - options, positive impacts, and liabilities in the Portland climate.

D Advocate legislatively for enabling legislation to allow various sustainable practices not currently available under building code and/or regulate pesticide use for cosmetic purposes.

- Absolutely. This is beyond the reach of municipal staff
- People don't like being told what to do. A regulatory approach would lead to polarization – these are people that might be on board without the regulation. Pick the most dangerous ingredients in the toxics, and work on regulating those, instead of an outright ban.
- Legislative approach must be paired with public education to eliminate backlash. Must be used carefully and strategically. Must be making business case for why the legislation is needed (example: Metro will save $X of taxpayer dollars).

- Hard to imagine Metro taking this on. EPA and DEQ are the right place to start with this.
- Box stores dominate the product category. Smaller/locally owned nurseries have tried out organic lines they thought people would love, but they have not sold well. Consumers are price sensitive. When two products are the same price, consumer will pick the organic product every time. As oil prices rise, the synthetics will become more expensive and organics will come down. Education would be helpful, but people will still make price sensitive and aesthetic choices. When the recession hit, people always picked the least expensive option. Disposable income helps.
- Improving the effectiveness of the organic approach would be a good idea, so that they could compete more effectively.
- Department of Agriculture oversees application of pesticides statewide. Landscapers can apply for unrestricted use to residential properties - have to be licensed applicator to apply. There is an enforcement component that should be explored - much application is being done illegally, because contractors don't want to go through process and expense to be a licensed applicator. Start with enforcement before pursuing new legislation.
- Landscape contractor licensing is focused on installation and not necessarily maintenance, so little ability to affect change through the licensing process.
- Landscape contractors had been increasing licensing requirements in order to add more meaning to the license, but they have experienced a commensurate decrease in people getting licensed. So they are changing the approach for licensing, to make it easier for a greater number of people to get into the fold. This should be coupled with increased enforcement of current laws and practices.
- A better approach might be to focus on safety and education. Then go to the next level of reducing application.

E Coordinate / advocate for local governments to adopt similar building / development standards with regard to sustainable features.

- Would really like to see more consistency in standards. Would be very helpful for the developers and builders. May be a disconnect with elected officials - "sustainable" is a dirty word. Need to make a business case for why regional consistency matters.
- Plant nurseries like to recycle plastic, but due to fluctuating demand can't always find someone to take for recycling. Need a more consistent approach. No one wants to throw plastic planter bins in the landfill.

F Provide trainings to industry professionals.

- Don't duplicate existing efforts, ex: Green Building Council.
- Real estate industry is interested in knowing how it works. CREW (Commercial Real Estate Women) programs that are LEED-based have great attendance, especially those regarding energy conservation.
- Lenders are interested to know what's happening. Many lenders, brokers, and real estate attorneys (especially commercial division) are curious about leading-edge trends. Not enough trainings/seminars geared toward sustainable building with this group. Green building is the only cutting edge topic out there right now. Could be a good time to offer technical assistance and trainings.
- Information on comparables and cost evidence will be important. Topical focus: What's happening in the sustainability industry and costs or affordability of various building techniques. Focus on upfront costs and long term value of technology. Could explore ways to mitigate upfront costs and/or educate on methods that are cost neutral or cost savings.
- Metro would be best served to focus on education about negative consequences and safe / appropriate use of pesticides (really important part).
- Been working with Metro toxics group on reaching out directly to industry to support landscapers. Would be very effective to continue work with contractors.
- Brochures/booklets are ineffective and just contributing to the waste stream. Keep promoting the concepts and offer deeper trainings. Tap into CEU requirements - general landscape as well as specific techniques (like the great LID workshop at Expo).
- Need to look at varying levels of knowledge and offer advanced trainings, not just introductory or cursory seminars on sustainable landscapes or building.
- Important to include targeted and culturally-specific trainings to Hispanic workers in the (landscaping) industry. Safety trainings need to be in Spanish.
- Regional certification programs, like stopwaste.org's bay-friendly landscaping certification, is not cost-effective. But they have materials that Metro should consider promoting to the industry.
- EcoBiz isn't growing very much because it is geared to higher bar. Seattle's Envirostars certification is a lower bar and may be a better model. More membership and fairly simple to administer.

- Always need for more training, but Metro might not be the right organization to provide it. Only makes sense if Metro can provide a way to incent participation - assist with program for permit streamlining if contractor is 'certified' or has taken specific trainings. Provide financial assistance for contractors/property maintenance to take trainings.

- Property maintenance is a current gap in training / information, especially algae and moss reduction without harsh chemicals. In general, training for property maintenance might be more beneficial for Metro to provide, than for building contracts [given the many classes already available for builders].

- Re-use will require education and training to break current habits. Would be helpful to set up a peer-to-peer program: have builders successfully doing re-use talk to other builders. Learn how to re-use and market materials. Using real examples - case studies - is very effective for industry professionals.

- Work with other organizations to develop trainings for energy retrofit/remodeling. This is where the biggest impact can be made. What is the region doing for remodelers and home performance contractors beyond clean energy works program? Remodeling will continue to grow.