

SHOPPING CENTER BUSINESS – JULY 2008

GREEN DESIGNS

Pressured by cities, customers and retailers, retail and mixed-use developers are making an effort to create sustainable projects. Led by developers small and large, architects are helping their clients create projects that have a minimal impact on their surroundings while providing a greater attraction for today's shoppers, workers and residents.

By Randall Shearin

Sustainability is one of the biggest buzzwords around retail design now. Developers suddenly want to create projects that are friendlier to the environment and allow consumers to feel like they are contributing to the greater good while they are shopping. Since many projects today are mixed-use, developers also recognize what an attractive power sustainability has to would-be residents of apartments. Retailers, too, are demanding developers build them stores that use less energy.

"A year ago, about 25 percent of our retail developer clients were interested in LEED certification," says Jack Selman, partner with Architects Orange. "Of that 25 percent who inquired, zero pursued it. They all liked the idea, but once we got into it, the costs didn't seem to pay back. Now, 1 year later, 100 percent of our developers are asking about it. That's how much the awareness has changed."

"Last year, we saw a lot of clients ask about sustainability," says Dustin Watson, partner with Development Design Group. "This year, we are actually seeing them implement a lot of ideas as they begin designing new projects."

To find out why creating sustainable projects is suddenly the thing to do, Shopping Center Business spoke to a number of architectural and design experts.

WHAT IS SUSTAINABILITY?

For many developers, that is the multi-million-dollar question these days. There are many ways to create a sustainable project. Right now, the biggest measuring tool there is for sustainability is LEED (Leadership in Energy & Environmental Design) certification. The U.S. Green Building Council created the LEED program, and its checklist has become the industry standard for letting consumers know that a project is green.

"LEED certification has certainly become the benchmark in the industry and lends credibility to calling your project green," says Frankie Campione, principal of CREATE Architecture.

Since local developer Melaver, Inc., received the first LEED certification for an all-retail center in Savannah, Georgia, Abercorn Common, in 2006, other developers have been trying to figure out how to make their projects LEED certified without breaking the bank.

But just because a project isn't certified doesn't mean it's not green. In fact, our architecture sources say that many developers are not concerned as much with LEED certification measures as they are with implementing sustainable design into their projects.

"Sustainability for a retail project is defined in a number of different ways, beginning with site analysis and density of design, trying to get as many uses as possible on an appropriate piece of property," says Greg Tysowski, vice president of design for JPRA Architects. "We go through the various categories for LEED requirements and being sustainable doesn't necessarily mean you have to follow it or become certified, but doing an analysis at least puts us on a sustainable track."

"We are now assisting our clients to include sustainable requirements and reminding them that the project does not have to become LEED certified to be environmentally conscious," adds Campione.

LEED certification is a tricky thing (see related article on the new LEED for Retail certification on page 84 of this issue). LEED certification is based on a series of points, which are awarded based on how sustainable or environmentally friendly a project is. These items include things like use of brownfields, reclaimed materials used for construction, and sustainable materials, among many others. Sometimes, just where a site is located can lend a lot of points to a project's certification.

"If you are on a redeveloped site in an urban area that has any kind of contamination — which is pretty much every urban site — and you are near a public transportation system, you just earned four or five points," says John Clifford of GreenbergFarrow. "No one really had to do anything for that; you're in the right place at the right time."

A lot of the qualifications for LEED are not so exciting, say architects. They can include how efficient the project's energy management system is; what kind of insulation is used; whether low emitting paints and fibers are being used; and a number of other invisible strategies. A popular method on brownfield sites involves crushing concrete from demolished structures and using it as fill or to use to mix concrete. While this doesn't seem like a big thing, it is helping to save the environment by not having trucks haul in gravel and new gravel doesn't have to be quarried from the earth. It is not as warm and fuzzy as a green roof, but it does have an environmental impact.

"A lot of developers are now realizing that the technology today compared to 5 years ago — even in things like HVAC systems and escalators — have become so efficient that they are great items to make a project sustainable," says Ahsin Rasheed, senior partner and director of planning with Development Design Group.

Other items that designers and developers are using to gain LEED points or add sustainability to their projects include white roofs; site salvage; material selections; stormwater reclamation systems; HVAC selection; density; and public/green space.

“We have analyzed all sorts of possibilities from utilizing mechanical systems that are more efficient and environmentally friendly to the use of materials that are produced locally,” says Alex Espinoza, partner with Dorsky Hodgson Parrish Yue. “In between, there is a gamut of opportunities that can improve upon the performance of your project.”

For Poag & McEwen’s The Shops at The Polo Club in Plainfield, Illinois, Dorsky Hodgson Parrish Yue specified that all materials used for the project must come from sources that are within 500 miles of the project.

“With the rising costs of energy, moving products farther from their source increases the costs of those materials,” says Kevin Zak with the firm. “Material costs are going up. Orders for steel are only being held for 48 hours because they don’t know how much it will cost to move products to a project. This is impacting the front-end dollar going into a development. We try to work locally when possible. It just makes more sense.”

Some developers are being even more ambitious. Perkowitz + Ruth is working with Regency Centers on the design of Deer Springs Town Center, a 700,000-square-foot power center currently under construction in Las Vegas that is pursuing LEED Silver certification. KA Inc. designed Bolingbrook Promenade, also 700,000 square feet, in Bolingbrook, Illinois, for Forest City, and the center has since become LEED certified.

Selman reports that about 20 percent of his current retail clients are now pursuing sustainability or LEED certification with their projects. In multifamily, in which his firm is also active, about 50 percent of clients is active in sustainability or LEED certification.

“Green design, or sustainable design, is not synonymous to smart design,” says Ibrahim Hakki, senior project architect with KA, Inc., Architecture. “The smarter you design, the better use of the land and the more sustainability you achieve. It all goes hand-in-hand.”

Richard Foy, chairman of CommArts, feels that LEED will be a temporary measure of how sustainable a project is. “It doesn’t measure all the factors, such as higher density, mixed-use and reduced dependency on the automobile,” he says. “All these are principles that are permanently seeded in the minds and practices of people in the construction and design fields. The next step will be to move past LEED certification to a zero carbon footprint for buildings, where they generate more electricity than they consume. They will put electricity back into the grid. That will be the ultimate goal for a building.”

WHAT’S CHANGING OUR INDUSTRY?

There are a lot of factors at play that are changing our industry and the way it is designed. Right now, fuel prices are heavily impacting the way consumers shop and where they shop. They want to be closer to home. They also want to shop in places that they feel are friendly to the environment. They also want to do their part to shop locally and support their neighborhoods. People are tired of long commute times and see mixed-use as a way to maximize their time and have a minimum impact on the environment. Developers are catching on.

“Developers are starting to understand that they can build a green environment and that people will come to these kind of projects and live, work and play there,” says John Clark, principal of Design Collective.

“A lot of sustainable projects end up producing a design that is more humanistically compatible,” says Rick Gaylord with MCG. “There is more thought given to the human being and the environment as opposed to creating a box to sell merchandise.”

A lot of these factors are playing into green design, even in subtle ways. Developers are realizing that making people happier also makes better buildings. One area where developers are making changes is using more windows to light the project. KA worked on a project for General Growth Properties where every person in a center management office needed to have their own window that could be opened to allow fresh air to ventilate the space and provide light. The goal of this was to cut down on energy consumption at the center.

“Clients are sometimes focused on the items that are visible to patrons and that they can market,” says Cheryl Steigerwald, studio leader with KA. “They may not necessarily be doing the most good for the project as a green or smart project. Sometimes if we are able to show them they will save them money in their operational costs in the years to come on what we’re installing upfront, then they’re willing to spend more money.”

Another client that KA Inc. is working with, Cullinan Properties, is looking at sustainable practices for many of the centers it has planned.

What are some easy ways to go sustainable? KA’s Steigerwald recommends selecting local materials. Since many of her firm’s clients are in the Midwest, she points to the fact that within 500 miles of most projects, there is a wealth of suppliers and manufacturers. The firm also recommends specifying recycled materials or sustainable materials. A lot of times, architects specify sustainable products and practices into a design because they can be the most cost effective and the most durable.

At Abercorn Common in Savannah, Georgia, the first LEED certified center, sustainable features include solar water heaters and a vegetative roof. The roof provides a natural habitat while insulating the building during the city’s warmer months. The center also features energy efficiency, water conservation and abundant daylighting. The center was designed by Atlanta-based Ozell Stankus Associates.

“You have some forward thinking developers who don’t question whether or not they will create a sustainable project,” says Foy of CommArts. “For them, it is expected that they will do sustainable projects and they will do as much as is feasible for their developments. On the other hand, you have developers who ask ‘Do I have to do this?’ They think it is a passing fad and don’t want to spend the money. Everyone recognizes this as an issue; some people are ignoring it and some people are being reluctantly dragged into it, while other people are saying that they have to do it.”

Foy's firm, CommArts, is working on a 35-acre project in a metropolitan area of Denver. Because the project won't be open for 3 or 4 years, it will be green because of the expected costs of energy.

WHAT IS THE COST OF GOING GREEN?

The fiscal cost of going green may not be as much as the emotional cost, say architects. Going green is really more about a way of thinking and acting — a behavior modification.

"All of our clients are in the business to make money," says GreenbergFarrow's Clifford. "They want to make the project green as long as it makes financial sense. They are looking for ways that they can do the right thing without impacting the bottom line negatively."

Those developers most apt to investigate building a green project are the ones who hold their centers for a long time.

"We find developers who are going to hold their projects for the long term look at sustainability a lot more early on in design because the upfront costs are higher," says DDG's Rasheed. "If someone is going to flip a project, they usually don't want to put the money in."

While there is a premium to going green, it is not the high estimates that have scared developers off in the past. Because sustainable products have become more common, in some cases they are less expensive than in the past.

"Developers are still in the belief that there is a 15 to 20 percent upfront cost," says Watson. "The biggest hurdle we have is the ability of the developer to quantify the upfront cost and what the benefits are to them."

The reality is much less harsh, report some architects.

"Most of our clients have shared with us that there is a 2 to 3 percent premium [for sustainable construction]," says Gary Clements with Perkowitz + Ruth.

"We find that there is minimal additional cost for LEED certified or LEED Silver," adds Greg Moe with GSBS, whose firm has designed a number of LEED certified non-retail projects. "Higher levels of LEED — Gold and Platinum — have higher costs for better glass, insulation, HVAC equipment, etc. Return on this investment comes into play with lower energy and maintenance costs during the life cycle of the project and enhanced value at resale time."

Developers who hold their projects often see a lot of the benefits as the project ages because the savings start to add up.

"Complete life cycle costs should be considered," says Campione. "Often the payback time is a matter of years, and with rising energy costs they could be even faster. There are also the intangible costs to the environment that are often not factored into the cost of a product or building material. Incorporating sustainable principles without certifying your building does not take away from the positive steps taken to benefit the environment."

For those developing LEED certified projects, the costs are often built into the project, since many of the LEED qualifying points come with the site and the nature of the project.

“Seventy-five percent of the LEED certification qualifications come at no cost,” says Selman. “It’s the 25 percent that it takes to actually become certified that start applying some costs.”

As time goes on, too, expect the premiums for LEED certified and sustainable projects to dissipate as well. When sustainable design is the industry standard, it won’t be a premium.

“The cost gap is closing as more professionals gain proficiency in designing according to green standards and as more sustainable products and systems are introduced into the marketplace at prices comparable to conventional products and systems,” says Allan Renzi, principal of Richard L. Bowen + Associates.

For sustainable design to become the industry standard, though, developers have to change their way of thinking.

“We can introduce a lot of sustainable design into a project, but if the developer or tenant is not interested, it won’t happen,” says Gaylord.

WHO IS DRIVING DEVELOPERS TO BUILD SUSTAINABLE PROJECTS?

There are four factors at play in driving developers to create greener projects. The first two are the developer’s prime customers: the retailers and the shoppers. Sandwiched in between are some other surprises that are causing sustainable design to proliferate.

LEED certification is much higher when you have single-tenant developments. Retailers like Target, Best Buy, Costco and Whole Foods demand that a number of their stores be sustainable or even LEED certified. Target, says Selman, will develop 20 percent of its new stores this year in a green manner. Selman’s firm is also designing some green locations for Best Buy.

“All the big national retailers have a program for green build right now,” he says. “When we have developments of 400,000 square feet, three or four of the tenants may be a sizeable national tenant who may or may not do a green building for their buildings. Then, it is up to the developer to decide whether or not the small shop space will be green.”

Municipalities are a huge factor in driving developers to create green projects.

“Some municipalities are driving it and it is in the forefront of their drive,” says Clifford. “A lot of municipalities use the terms ‘environmental sustainability,’ ‘green,’ ‘mixed-use’ and ‘LEED’ interchangeably like it is all the same. Some don’t understand what the terms are. That’s one of the big problems facing the industry now; there are some misunderstandings of all these initiatives. Some can be done easily on some sites but make no sense on others.”

Indeed, larger cities have begun to take an incredibly active stance in demanding green buildings. Washington, D.C., for instance, will require LEED certification for all projects after 2012.

“Many other cities will follow this lead,” says Greg Moe with GSBS.

Los Angeles, reports Perkowitz + Ruth’s Clements, has recently adopted aggressive green building rules.

“Los Angeles is requiring that commercial and residential developers adopt such measures as planting drought-resistant landscaping, using recycled materials and using energy efficient heating, cooling and lighting,” he says. “When you think of it, these are relatively minor changes that can turn standard construction into green construction.”

In cities like Chicago and Salt Lake City, reports Moe, permits are expedited for projects that will be applying for LEED certification. The city of Cleveland, reports Renzi, is requiring certain levels of Energy Star or LEED certification for its buildings projects. The list goes on and on across the country — and spreading to smaller towns.

In Germantown, Tennessee, a suburb of Memphis, a stringent but smart city development plan has Poag & McEwen on track to build an incredibly sustainable mixed-use addition to its Shops at Saddle Creek center, which is being designed by Dorsky Hodgson Parrish Yue.

“As a developer, they are very committed to this project,” says Espinoza of the firm. “It is in their backyard and it’s their first project when they started the company. It is going to be a landmark for the city of Germantown and it is going to be a signature project for the developer. They are going to do everything right. Everything will be efficient. They are going for as much LEED certification as possible.”

The architects sometimes find themselves driving the client to be more sustainable. At Architects Orange, for instance, a LEED certified architect comes into every project meeting and tells clients how to improve the sustainability of their proposed projects. The client has the option to pick and choose what it will implement; the architect is laying out the cards.

More common now, it is the developer who is the driving force to make the project green. Jacksonville, Florida-based Regency Centers, a client of CREATE Architecture and Perkowitz + Ruth, and one of the nation’s largest grocery-anchored shopping center developers, has made a commitment to the U.S. Green Building Council that a certain percentage of its development pipeline will be LEED certified.

“Twenty percent of Regency’s centers developed in 2008 will be LEED certified, and that will increase to 40 percent in 2009, then 60 percent in 2010 and thereafter,” says Campione. “I believe this is a first for a retail developer to make such a formal and strong commitment.”

Architects also report that clients are demanding sustainability in little ways as well, even in the design process. Many won't allow their architects to send them hard copies of anything; the architects are required to send all drawings, documents and renderings electronically. While this can lead to challenges with design reviews and color scheme choices, it challenges both parties to help the environment. Some developers are also demanding a green team too. MCG's Gaylord cites one project his firm bid on where the entire design team had to be LEED certified.

In addition to retailers, municipalities and developers driving the sustainability of projects, DDG's Watson sees another possible driving factor: insurance companies.

"They see a non-sustainable project as a liability," he says. "In terms of the health and productivity of the workers, they are starting to look at this from the other direction, which could have a profound effect on how things are developed in the future."

And, of course, there is the consumer to drive change as well. Developers are driven to change by those who are (or aren't) going to shop in their projects.

"The interest from developers is driven by their own desire to create a product that fits their customer base," says Zak. "There is such an awareness right now among the public. People are looking harder at how to be more sustainable. That flows down to how they live, how they work and how much time they spend commuting."

Why do consumers care about how sustainable a shopping center or mixed-use development was constructed?

"There is a psychological effect that a project that is sustainable can bring to the table," says Espinoza. "The reaction from the users toward the projects is interesting. In Florida, we are working on The Promenade at Coconut Creek for Stanbery Development; a project that is committed to sustainability. The environmental graphics for the project portray the benefits of having a project that is green. There is a series of signs along the site that points out all the elements that are green. It is an education for the consumer, and people really like that they are shopping in an environment that is green."

SUSTAINABLE USES

In many locations, mixed-use has now become the model for sustainability. The density that mixed-use projects offer, as well as the benefits to residents are the chief reasons that municipalities are seeking developers who will build them. In the minds of cities, residents and shoppers, mixed-use leaves less of a footprint because of the live-work-play environment that is created by mixing residential with retail, entertainment, dining, hotels and office space.

"In the whole country, there are only a few thousand people living in a mixed-use environment," says Design Collective's Clark. "There are very few people who have had the opportunity to understand and enjoy what this is. People have embraced them."

Taking it a step further, transit-oriented mixed-use projects — which contain some hub of public transportation generally — are helping to reduce the use of automobiles, furthering their public approval.

“Mixed-use makes a lot of sense, just from the sustainability of a project, because it brings uses together that feed off one another. That adds long term viability to a project,” says Zak.

Even in instances where automobiles are required, many companies are creating programs to assist employees who make decisions to reduce their carbon footprints. For example, DDG will give employees an incentive to purchase a hybrid vehicle. It will also pay some of the closing costs if an employee purchases a home within a few miles of the company’s office.

“People are getting more aware of the environment and that it is a good thing to help it,” says Rasheed. “Little things make a big difference.”

Mixed-use is also getting greener. For Dorsky Hodgson Parrish Yue, Poag & McEwen has challenged it to create an incredibly sustainable mixed-use project at the aforementioned Shops at Saddle Creek in Tennessee. There, one option is to create a single power plant to air condition the entire project that would be more efficient than having separate units. It is more expensive in the short term, but in the long run it is more energy efficient and will allow for cost efficiency.

“Sustainability is more than just low energy utilization or the usage of local materials,” says Foy of CommArts. “It is concentrating as many uses as possible in as dense a footprint as possible to maximize the efficiencies of that format and eliminate the necessity of having to get in your car to drive 20 or 30 miles to have your shopping and entertainment needs. Developers and retailers can make a demonstrable step to help this situation.”

Beyond mixed-use, sustainability is making its way into traditional retail. By using sustainable practices forged originally by mixed-use developments, developers are applying these to community and power centers, and even regional malls. Richard L. Bowen + Associates designed a 500,000-square-foot shopping center on the site of a former municipal landfill near Cleveland. City View Center is a 10-minute drive to more than 200,000 households. The company also designed the redevelopment of Walden Galleria, the largest regional mall in Buffalo, New York.

“Rather than seek a new site for all-new construction, the owners chose to incorporate more modern lifestyle features built around an existing structure,” says Bowen’s Renzi. “Smart land use clearly promotes sustainability, especially when mixed-use projects are located so as not to necessitate an increase of infrastructure. Our cities must continue to grow denser, as construction on undeveloped land becomes more regulated. This will lessen our need for ever-expanding infrastructure, decrease our carbon footprint and help us lead more healthy lifestyles.”