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NYC developers resist the push to go green

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Rex Hakimian has seen all the media attention lavished on the latest crop of green buildings sprouting in the city. He's aware of all the awards that those buildings have won for their developers. But he is still not sold.

"The economics of green buildings are unproven," says Mr. Hakimian, a vice president of The Hakimian Organization, a Manhattan-based developer. "Initially, when they start something new like this, many people just jump in feet first, but we are more cautious."

Mr. Hakimian is not the only developer who is sitting out the green revolution. Despite all the press that environmentally sensitive buildings have garnered over the past several years, most developers say that such projects remain prohibitively expensive to build. In addition, many complain that at this stage there is no clear agreement on what even constitutes a green building.

Tiny crop

Evidence of developer resistance abounds. To date, only seven New York City properties have been built in accordance with Leadership in Energy and Environmental Design certification requirements, the closest thing there is to a definition of "green." The LEED requirements were created in 2001 by a private industry group to set standards for

environmentally sensitive buildings, but many people say the rules are too hazy.

Two of the city's new projects — the Hearst Tower in midtown and 7 World Trade Center downtown — are huge, but they represent only a small fraction of the total number of square feet added in recent years. Last year, preliminary plans were filed for 39 green buildings, again a small portion of the buildings on the drawing boards.

The biggest roadblock to green construction is the price tag. Most developers say that green buildings add 5% to 10% to their construction costs. Though data from McGraw-Hill Construction shows that the actual increase is far lower — in the range of 2% to 5% — developers are loath to absorb the expense.

With land prices more than tripling in the last three years in some parts of the city and construction costs rising 8% last year alone, developers say that it is hard enough to make money on ground-up construction.

"We are certainly conscious of making responsible decisions on products such as better insulation, efficient boilers and the like," says Joshua Muss of Brooklyn-based Muss Development. He notes, however, that with building costs already sky-high, there is little room in the boroughs to add what he calls "costly esoteric systems."

"They may have an impact on the environment, but if the [cost] projections don't work, the buildings won't be built," he says.

Lack of experience with green building techniques and materials contributes to higher costs. A number of products that had been touted as environmentally friendly have turned out not to work well, such as certain types of bamboo flooring that tend to buckle when exposed to water.

Other building materials, such as concrete made from recycled slag instead of cement, are significantly more expensive. And complex features — such as roofs planted with vegetation that helps cut

heating and cooling costs — can be very pricey to build and maintain.

In recent years, The Durst Organization has become one of the leaders in green building in New York. But the costs of achieving that status have been heavy. At The Helena, a luxury apartment tower that Durst built on West 57th Street, the company lavished \$1 million — or 5% of the overall project cost — on a state-of-the-art black-water treatment plant that saves 50,000 gallons of wastewater a day.

Long-term payoff

Louis Esposito, Durst's chief operating officer and head of construction, acknowledges the high costs of green construction, but he insists such investments will pay for themselves over time in the form of lower utility bills.

The owners of the Hearst Tower agree. There, LEED certification added \$10 million, or 2%, of the overall project cost. But Brian Schwagerl, vice president of real estate and facilities for Hearst Corp., is not worried.

"We are confident that we will end up saving money in the long run by having healthier and more productive employees and lower energy bills," he says.

Many others, however, fret that various elements of green buildings could end up increasing, not reducing, costs down the line.

"My concern is how much thought is being given to the long-term maintenance and replacement costs for all of these green projects," says Sayward Mazur, a construction lawyer and partner at Mazur Carp & Rubin. "There could end up being a huge unforeseen impact down the road."

Others worry about the lack of any official government oversight of what defines green-ness and whether or not a building qualifies as such.

The city is trying to change this. Just this month, it passed a law

requiring many government-financed projects to have a LEED certification. Deborah Taylor, executive of special projects at the city Department of Buildings, says that a revamped building code, which could be made into law as soon as this spring, will incorporate more LEED requirements.

Many developers remain skeptical.

"The term 'green building' is nebulous," says Jules Demchick, president of J.D. Carlisle Development Corp., a big residential developer. "It is just a marketing tool, another line in the brochure, and it doesn't have any real meaning."

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