



# Downtown Economics

*Ideas for Increasing Vitality in Community Business Districts*

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## Bringing Green Buildings Downtown

By Joshua Clements\*

This article provides an introduction to how downtowns can improve their environmental performance while increasing social and economic vibrancy. It summarizes techniques municipalities can use to attract new and sustainable development into their downtowns.

Despite a depressed economy, “green” products and services continue to hold strong<sup>1</sup>. In the green building sector, green starts increased 36% in between 2007 and 2008 – up 500% since 2005 - to \$49 billion. Following the construction market fallout, a McGraw-Hill industry study estimated the green building market will still more than double by 2013, reaching \$96 to \$140 billion<sup>2</sup>. Numerous studies show that the retrofit of existing buildings as the most rapidly expanding green building strategy.

Attracting new green investment to a downtown not only provides increased tax base, but can revitalize neighboring businesses, decrease operation costs, and increase overall economic health and vitality of the district. The following techniques should be considered.

### Incentive Programs to Encourage Green Building

Cities and towns can create incentive programs for developments that achieve certain performance thresholds or implement specific design strategies. These programs represent market-driven actions to build interest and support green building projects. Municipalities typically customize programs to their local regulatory and building climate. It is critical to create transparency and standard processes for award of incentives to projects to avoid future contention or favoritism.

Incentives often attempt to reduce costs associated with green development, addressing the perception that green buildings cost more. This perception is typically the most significant barrier to green building. Incentives can be targeted to particular areas of the municipality, such as the Downtown, as long as those areas are clearly delineated. These areas might be the Central Business District, TIF, BID or Main Street District, or other zone. Open dialogue with developers is important to developing incentives that will result in attracting green buildings downtown. Utilize existing materials and programs in other areas as examples.

Databases of government incentive programs for sustainable design, and other valuable knowledge resources, are available at:

*UW-Extension Sustainable Communities Capacity Center*  
[www3.uwsuper.edu/sustainability/](http://www3.uwsuper.edu/sustainability/)

### Utilize and Promote State and Utility Programs

Many States and utilities offer grant and loan programs for homes and businesses to purchase specific energy efficiency, renewable energy, green building material or other sustainable design technique. They often also provide technical assistance on projects- helpful for municipalities with small staff.

In Wisconsin, the Focus on Energy program ([www.focusonenergy.com](http://www.focusonenergy.com)) provides tens of millions of dollars in grants annually to businesses and local governments to improve building energy performance. Focus also maintains a large number of case studies and fact sheets for local governments to use and distribute.

### Expedited Permitting and Review

Expedited Permitting, or “fast tracking”, is the process where the municipality agrees to shorten the plan review and/or permitting process. In exchange, the owner/ developer enter into a contract or memorandum of understanding such that the project will exceed certain performance thresholds or design strategies. Examples of performance thresholds include: LEED™ certification, restoring a historic building, stormwater, and others.



Rosemary Garfoot Public Library, Cross Plains, WI, is the first LEED™ certified Library in Wisconsin.

The result is downtown developments with desired traits (design thresholds) and saving many months in awaiting the necessary permits to begin construction. This strategy typically does not cost the municipality funds or lost revenue, but can result in significant financial savings to an owner/ developer in terms of shorter development schedule. Time is money. It is critical to provide standard guide materials explaining the benefits of the program to developers and the public to attract interest.

There are no less than 19 municipalities in the U.S. that offer expedited permitting and/or review for buildings that committed to achieving LEED™ certification. Encouraging existing projects to pursue LEED™ for Existing Buildings during their renovation is also a smart option, especially when the economy is weak.

### **Tax Incentives**

Tax credits, grants, and fee abatements are examples of direct payment incentives municipalities can offer developers. Meckleburg County, NC, Green Building Rebate Program is an example of a building permit fee rebate that returns a portion of that fee once a building has achieved LEED™ certification. The rebate begins at 10% and increases by 5% for each additional level of LEED™ certification.

Some municipalities have changed their Tax Increment Financing (TIF) ordinance to require projects receiving TIF funding to achieve LEED™ certification, or meet other design thresholds, as a condition to receiving TIF funds.

### **Density Bonus**

Increased building height or floor-area ratio (FAR), allows a developer to construct more building area than allowed by applicable zoning. This incentive comes at no financial cost to a community, but the developer may gain financially from placing a larger building for sale or lease on the same site. The municipality may indeed gain tax base from this incentive, by allowing a developer to construct a larger, high performance building. Communities often increase the density bonus based upon level of LEED™ certification achieved.

### **Build Awareness and Awards**

Providing fact sheets and case studies of green buildings, especially of projects in your region, may increase interest in building green through awareness of the costs, benefits, and techniques used. Providing simple

summaries of the incentives and green building programs available to developers in your municipality is important to driving use of those programs. Providing public recognition for projects in your downtown is another low-cost strategy for encouraging and rewarding developers for going green.

Using visible signage highlighting both government and private sector efforts, similar to historic and wayfinding signs, is one method to inform the public. Additional methods include highlighting successes in local media, and providing simple, informative factsheets available in public places and online.

### **Greening Comprehensive and Neighborhood Plans**

Municipalities can encourage green building and sustainable development by specifically addressing this topic in comprehensive and/or downtown plan. This may entail including an additional chapter on sustainability initiatives as well as including green building and low impact development techniques throughout the plan.

### **Lead by Example**

Build and renovate government owned buildings, including (especially) schools, to be green. This reduces operational costs for the municipality, often significantly, and creates positive press and community image. Municipalities typically make commitments and green their own facilities and use this experience as a showcase to the private sector. Over 130 municipalities in Wisconsin have made a pledge to lead by joining the Energy Independent Communities Partnership and making a commitment to efficiency and renewables. Following commitment by creating active private-public discussion and collaboration builds upon success.

The locating and high performance retrofitting of municipal facilities downtown is a win-win-win strategy to create downtown jobs, decrease costs, reduce environmental impact.

Attracting green buildings and retrofits to the downtown can stimulate economic activity, showcase sustainable design, and project an environmentally conscious image. With increasing awareness of “green”, downtowns are the perfect place to embrace this awareness.

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<sup>1</sup> MarketWatch. *Office Depot Sees Interest in Green Products Growing Despite Softening Economy*. December 2, 2008  
Industry Week. *U.S. Demand for Green Building Materials to Exceed \$80 Billion by 2013*. March 10, 2009.

<sup>2</sup> McGraw-Hill Construction. *2009 Green Outlook: Trends Driving Change Report*. November 18, 2008.

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