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Governor's 'green' agenda will also impact real estate

Proposals include mandating improved energy efficiency

By many accounts, nearly 40 percent of the world's carbon emissions are a byproduct of the power produced for residential and commercial consumption.

In an effort to curtail these carbon emissions, significant efforts are ongoing to create clean sources of power. A new Oregon effort is under way to reduce the carbon emissions that ultimately cause environmental damage. And a new component of this mitigation is the direct effort to force new energy efficiency standards on the real estate industry.

On Oct. 27, Oregon Gov. Ted Kulongoski introduced his agenda for broad-based climate change legislation. He intends to shepherd climate change initiatives through the Oregon Legislature in his final two years as Oregon's governor.

Kulongoski views this legislation as defining his legacy as governor of one of the country's "greenest" states. The governor's hard-hitting plans to impose a regional cap-and-trade market system, make investments in renewable energy, and promote sustainable transportation initiatives receive most of the public's attention.

However, the agenda also includes an aggressive plan that directly impacts the real estate industry. Specifically, Kulongoski's initiative includes a mandate to increase energy efficiency in new residential and commercial construction through revisions to Oregon's Uniform Building Code and to require standardized information be made available to consumers regarding the energy efficiency of commercial and residential buildings.

Energy Performance Certificates

The governor's plan proposes the mandated delivery of energy performance certificates with any proposed sale or rental of improved real estate. Drawing similarities to the Federal and California vehicle emissions standards/certificates, the proposal calls for all buildings (new and existing) to have a certificate that will en-



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able consumers to make an energy-wise decision.

A consumer who chooses to purchase a Toyota Prius because of its excellent miles-per-gallon efficiency may also now base her housing choice on the excellent energy efficiency of her new home.

The governor's office believes that once mandated statewide, these certificates would be relatively cost-efficient to produce.

The concept of energy performance certificates is not a new one. Energy Trust of Oregon already provides a free Home Energy Review for existing homes (designed to identify inefficiencies in a home for remediation). And in July of this year, Energy Trust started issuing energy performance certificates for new construction. The Energy Trust program has been identified as one potential model for the proposed statewide energy certificate program.

Net-Zero Emissions

In addition to creating a more energy-conscious consumer, the governor proposes to legislate a goal of net-zero emissions on all (residential and commercial) structures by the year 2030. This ambitious goal would be realized by increasing the energy efficiency requirements in commercial and residential building codes by 30 and 15 percent, respectively.

Increased construction costs caused by the increased standards will not be known until specific legislation and rulemaking takes place.

Proponents claim that the increased costs of constructing under new energy efficiency standards (including the goal of net-zero emissions) can be mitigated through tax credits and other financial incentives. Additionally, it is believed that over time, market demand and lower operating costs will further mitigate, if not eliminate, any increased costs.

Homes with net-zero emissions may find success filling a marketplace niche, similar to the Prius, and will add value and appeal to an ener-

gy-conscious, informed buyer or tenant.

The ultimate impact of these added costs on the market is hard to predict, however, and opponents say the proposed requirements would put new construction at a competitive disadvantage to the large stock of existing structures.

The commercial market is already responding to the demand for sustainable commercial structures. A quick glance along Portland's skyline finds many examples of new development under construction that markets itself as sustainable and green.

To name a few: TMT Development has begun construction on the Park Avenue West building and signed major tenants in large part on the sustainable and energy conscious aspects of the building. Skylab Architecture has proposed "the weave building" for the corner of 13th Avenue and West Burnside that appeals to a sustainable business-model client and will invest heavily in sustainable and energy efficient design, which in many cases exceeds current code requirements by over 50 percent.

What's Next?

As a result of the recent elections and an Oregon Legislature heavily influenced by green policy, most feel the enactment of legislation in furtherance of the governor's goals is practically certain. The immediate and long-term impact of these proposed regulations on Oregon's real estate and construction industries will depend greatly on the details of the initiatives enacting legislation.

It can be certain though that an already tumultuous real estate market will feel the direct and immediate impact of legislation mandating energy performance certificates and net-zero emissions standards for new construction.

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