

THE GILROY DISPATCH

Green ordinance might save greenbacks

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By Chris Bone (cbone@gilroydispatch.com)

Developers know building green is not cheap, but it could be soon.

An increasing number of Bay area cities are passing so-called "Build-it-Green" ordinances that require developers and builders, among other things, to reduce energy usage by 15 percent for every home they build.

Now Gilroy is set to join the ranks, and while this will immediately add to construction costs and home prices - especially in a city with some of the highest development fees for the area - city officials and some builders say higher standards are inevitable. Many agree that as more money enters the environmental marketplace at the behest of BIG ordinances, the more competitive that marketplace will become. This will eventually lower prices for green products, they say, all the while satisfying the court of public opinion.



The influences of Monterey and BIG

As a Monterey city building official, John Kuehl has been pushing this market idea since last summer, and now he's close to convincing the city council to adopt his BIG ordinance.

"Sometimes you have to spend money to make money," said Kuehl, referring to the costs the ordinance will add to builders in the short run. "The initial cost it puts on builders will always be debated depending on which side of the fence you're on, but in the end run, you've got a more marketable product and you've got a healthier building."

Kuehl predicted green building ordinances will be state-mandated within three to five years, and Gilroy environmental officials have been eyeing his work and that of 21 other nearby cities, 75 percent of which require BIG compliance, according to Environmental Programs Coordinator Lisa Jensema. Soon she will present the city council with her own Gilroy-specific BIG ordinance, but she could not say exactly when that would be.

Like Kuehl, Jensema has also been working with BIG.

BIG is not just a name, but an actual non-profit organization that consults with cities and builders on residential projects, giving both parties a green road map to follow when developing single- and multi-family residential units. BIG is comparable to LEED, or Leadership in Energy & Environmental Design, which is a national program with much higher standards for mostly commercial projects.

The Berkeley-based company charges developers consulting fees for its seal of approval that they achieve with denser development, native, drought-resistant vegetation and green products such as engineered lumber, solar panels, window glazing and increased insulation.

Some of the nearby cities Jensema has looked at include Santa Cruz, which requires residential developers to hire BIG consultant like any other contractor or engineer. The city of Santa Rosa touts BIG as a voluntary program. Rohnert Park requires BIG certification for residential projects, and San Francisco and cities in Marin County are establishing BIG ordinances, as well.

In an unprecedented move earlier this month, the Home Builders Association of Northern California asked the region's 101 cities and nine counties to impose green building standards to reduce energy usage. BIG standards go beyond AB 32, the state's Global Warming Solutions Act passed in 2006, which requires a 25 percent reduction in global warming emissions in California by 2020. Plus, they require a 15 percent savings beyond the state's energy code, Title 24, already the strictest in the country.

Gilroy already allows developers with specific plans to maximize an area's density restriction if they provide certain "amenities" such as open space or a house that exceeds Title 24. If the city adopts a BIG ordinance, though, this will require more from builders and it will expand their list of green options

The city will likely reward builders for using pricier, BIG-certified materials through discounted fees or expedited

permit applications - which Kuehl said Monterey will likely do along with city council recognition for green projects. Still, it is unclear exactly how Gilroy's incentives will work, according to City Planner Melissa Durkin. The city is already in the process of modifying green incentives for certain developments, Durkin added, so the potential BIG ordinance could bring closure to some confusion over the rules.

"It would be a point system for developers like the one that exists now with amenities, but they'll have more opportunities with BIG," Jensema said.

Developers' contrasting points of view

The Monterey ordinance will only affect new residential projects. Those already in the pipeline will not have to re-figure their costs, Kuehl said, but it is unclear how Gilroy's ordinance would work.

"These are questions for the council. The ordinance could be retro-active. It could be optional even, or it could be part of the (Residential Development Ordinance) process," said Durkin, referring to Gilroy's housing allocation process, which staff is also tweaking along with its now-optional green incentives. Council members have expressed interest in modifying the lottery-like housing allocation system, which is frozen until 2014, and a BIG ordinance could partially address this problem while also clarifying the city's green requirements.

Still, adding costs in this lousy housing market and in a city with some of the highest development fees in the country is no way to attract builders, said Michael McDermott, the co-developer behind the planned Oak Creek residential subdivision at the corner of W. Luchessa Avenue and Monterey Road. He said the project is a year away from pulling building permits, so whether the city's BIG ordinance affects him or not is still up in the air.

"In today's credit crunch, appraisers do not assess a home that has solar power any higher than they do a regular residence," said McDermott, though residents do receive state tax credits for solar panels. "Most people also already exceed Title 24, and most houses all have extensive insulation."

McDermott also said for every tree cut down for studs, two more are planted. He then pointed to Gilroy's recycling ordinance, which requires builders to recycle at least 50 percent of construction-site debris. This is the minimum percentage requirement for BIG-certified construction. Then there are the actual costs of complying with BIG, he said.

The non-profit charges about \$600 to review one single-family home and up to \$4,250 for a 30-unit apartment building, according to a BIG brochure. Along with material and labor costs, this means building green adds about \$2 a square foot to a home's price. The median price of a home in Gilroy is \$639,080, and the average size of a Bay area home is 2,000 square feet, which means an added cost of \$4,000 per unit.

"It's going to get to the point when nobody will build a home in Gilroy when you just keep pumping costs into the equation," McDermott said. "Depending on exactly what the city requires, it could hurt us, particularly in today's market place."

But local green builder Chris Cote disagreed.

Cote has been his own green consultant while constructing his solar housing development on the corner of Hanna State and Gurries Drive. To wit, he said he recycled 90 percent at his solar site.

Despite all the talk about becoming greener, Cote lauded Gilroy as one of the greenest small cities in America. It has already outpaced Morgan Hill and Hollister, which have no solar homes, he said. Gilroy, on the other hand, has about 40, including Cote's and another developer's project. To crown each of his homes with a solar array, Cote paid about \$25,000, and he acknowledged that going 15 to 20 percent above Title 24 can also run builders another \$15,000 to \$20,000 per house.

"But solar homes are selling in this down market," Cote said. "It makes dollars and sense because people want to buy those types of houses. They're technologically advanced, they save money, and it's the right thing to do."

"Yeah, (BIG) does increase costs for a little bit, but these are costs easily made up by the consumer over years of reduced energy use...A resident recoups the total cost of their solar array in 7 to 8 years in Gilroy because it's a sunny spot, and everybody in the city benefits from cleaner air."

Stricter environmental regulations, though, present a choice for labor advocates: Increased costs due to green requirements often mean builders will choose to save money by using non-union labor. But then again, "there's nobody using union labor here anyway," Cote said. "For me to build the product I build as green as it is and to also use union labor - it would never happen. Nobody would be able to afford them." The construction of Christopher High School is \$15 million in the red so far, partly because of its solar panels and reliance on union labor, Cote said.

But there are others who build green and also use union labor, though on a much larger scale.

Troy Fink of Gilroy-based Farotte Construction oversaw the company's work on Fire State 35 in San Jose, which was LEED certified. He said the company used union labor the entire time, and it is doing the same with the east San Jose

branch of the Carnegie Library.

"Politically everybody is grabbing a hold of (BIG) and running with it," Fink said. "It's definitely more expensive - that's hard to deny - but as it becomes more prevalent, I anticipate costs going down because we're going to run out of other resources."

Perhaps the smallest of Gilroy's developer fish is Bob Costamagna of the South Valley Community Church, which recently received council approval to build 15 houses along Hecker Pass Highway. He was cautious with his stance on BIG.

"We're concerned about the financial aspects (of the BIG ordinance), but we are committed to building green elements into our project," he said.

City's point of view

Gilroy mayor Al Pinheiro, who signed the Mayor's Climate agreement last year and approved the city's recycling ordinance, has supported the idea of a Gilroy-specific BIG ordinance.

One of the appeals from a bureaucratic standpoint is the fact that a BIG ordinance will self-update with the newest state and local standards because the non-profit essentially maintains the ordinance. This means Gilroy would not have to continually re-word and re-vote on its specific ordinance.

This helps out a lot, according to Monterey's Kuehl.

"I recommend that cities take and modify BIG to make it work for them," Kuehl said. "How hard or how easy do you want it be in your city to get permits?"

While all this still needs fleshing out, Pinheiro said he is ready to charge ahead.

"Not only am I interested in doing this, but I expect staff to provide us with updates on what other cities are embracing," Pinheiro said. Councilwoman Cat Tucker said she was also very much a green proponent, but she was concerned about union labor issues.

Councilman Craig Gartman cautioned, though, that the city already has Title 24 energy regulations, which solar guru Cote described as the nation's most stringent.

"What other standards and programs are out there? What fits best with what we're looking for as a city?" Gartman asked rhetorically. "I'm hoping to see at least two or three other programs being presented by staff."

This falls on Jensema, who said she still needs more time to figure out exactly what Gilroy wants and needs and how this compares to the other 32 cities she has studied across the state.

"We need to sit down with (interim City Administrator Anna Jatczak) and figure out the next step," Jensema said. "We know we will propose something to council, but I can't say exactly what will happen."

Still, Jensema said she was optimistic and that her staff's interest has remained piqued after some attended a BIG workshop last October. Additional BIG training of staff would likely occur if the council passes an ordinance.

This would add to the city's personnel costs in the short run, but it could be worth it in the long haul.



Chris Bone

Chris Bone covers City Hall for The Dispatch. Reach him at 847-7109 or e-mail him at cbone@gilroydispatch.com.