

Gold standard for green buildings under fire

LEED wilts as new gauges better measure energy use and costs.

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This year, for the first time, owners of 25,000 commercial properties in New York must report their buildings' energy use to the city. The data will be compiled into publicly posted report cards that officials hope will shame energy hogs into making the renovations needed to improve their scores, much the same way that issuing letter grades to restaurants is making owners shape up.

The city's effort comes as pressure mounts to find alternatives to the pioneering 10-year-old LEED ranking system, which reflects a building's environmental performance. But LEED doesn't measure energy use and costs, something a growing number of engineers, architects and landlords insist must be done. Their concerns and a general blossoming of environmental awareness have spawned a host of rating systems that could test LEED's dominance.

Developers including the Durst Organization and Silverstein Properties have built to meet the standard. But as LEED's prestige has grown, so have doubts about whether it accurately measures a building's sustainability. Those misgivings hit the courts in October, when a mechanical systems designer filed a lawsuit challenging the verification system, in part because it doesn't gauge energy use.

"LEED has made people realize the importance of looking at how buildings are affecting the environment," said Constantine Kontokosta, director of the Center for the Sustainable Built Environment at the NYU Schack Institute of Real Estate.

But critics argue that the rating is hollow without an energy measurement. They insist that such data prove that a building's ecological bells and whistles are succeeding in cutting consumption and costs—figures that are vital to owners and tenants, even those who aren't die-hard environmentalists.

"More people want to see quantitative data that show they are saving money," said Anthony Malkin, president of Malkin Holdings, an owner of the Empire State Building and its asset manager.

Mr. Malkin has almost completed a \$50 million renovation—including such green features as better-insulated windows and an upgraded air-conditioning system—that he said will lower energy consumption by 38%. He believes the Empire State can earn a LEED rating but said his motivation was energy savings.

PROLIFERATING STANDARDS

Later this year, the American Society of Heating, Refrigeration and Air-Conditioning Engineers will introduce an energy-usage index for buildings. Last year, the Greenprint Foundation released its first carbon-footprint index tracking the performance of 600 buildings. The nonprofit was founded in 2009 by a group of property owners and investors who wanted to connect quantifiable environmental factors and property values.

“You need the two greens [the environmental and financial] to line up,” said Charles Leitner, Greenprint's CEO.

The major problem with such endeavors is that information collectors can't make their findings public without the property owner's consent. That is the catch-22 that the U.S. Green Building Council, which developed the LEED system, faces as it tries to improve the usefulness of its ratings. USGBC began gathering energy-usage data from its ranked buildings in 2009 but is not allowed to release them.

ONLY AN OPTION

“We can't make people [allow us to release data],” said Scot Horst, the council's senior vice president of LEED. But providing building owners with such input can help them improve their performance, he added.

To determine rankings, the LEED system uses computer models that calculate factors ranging from air quality to construction materials. The USGBC has rated nearly 7,400 buildings in 125 countries; about 36,500 properties await certification.

Henry Gifford's suit against the USGBC claims that it pushes owners to add costly components that don't necessarily lower energy costs or benefit the environment. Mr. Horst wouldn't comment.

“LEED is voluntary, and it takes a very big view of the environment,” said Robert LiMandri, commissioner of the city's buildings department.

The beauty of New York's reporting law is that the city can disclose energy information—whether or not property owners want it made public. The law is designed so that owners can examine their usage and make changes to help their bottom line as well as the environment.

In requesting LEED designations, landlords are often targeting tenants that want to enhance their image by leasing in a green building. For them, lower energy costs may be only part of the allure.

“LEED is a recognizable standard that tenants are willing to pay for,” said developer Jonathan Durst. His firm and Bank of America built One Bryant Park, which has the highest LEED rating available.