



Sustainable Communities™

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Rental Housing: NMHC Predicts Rising Demand

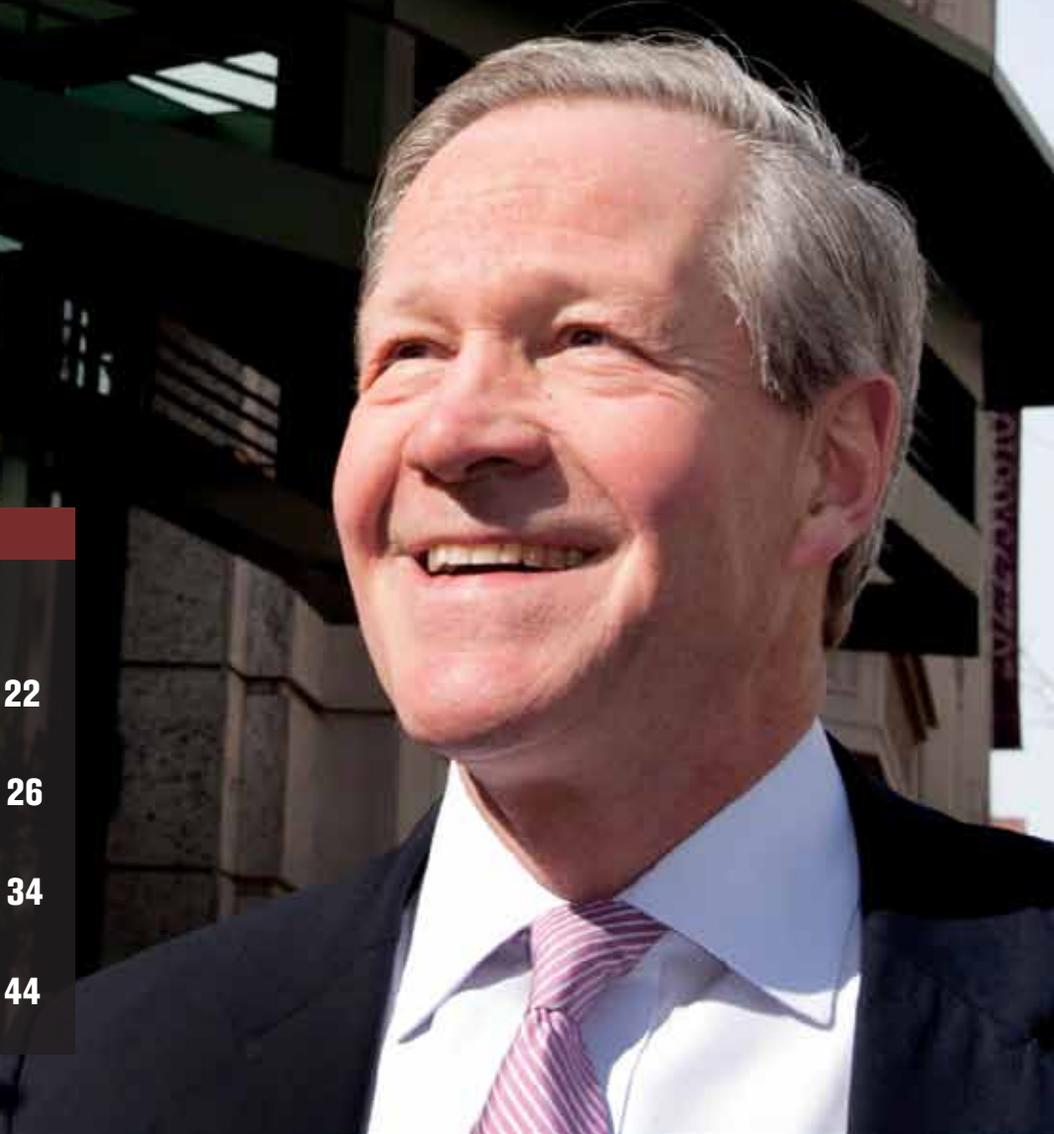
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Apartment Firms Embrace Sustainability, Green Building



▲ Pool and spa area at The Crossing Apartments in Anaheim, Calif., developed by SARES•REGIS Group. The new apartment community boasts in its marketing of using recycled materials, offering a healthful indoor environment and its location on a sustainable site. Quoting from its promotional material for leasing: "Being eco-friendly is a no-brainer at The Crossing. We built in some incredible and innovative green perks for you to enjoy without even lifting a finger (how cool is that!)"

Energy and water-efficient buildings and sustainable development practices are rapidly becoming standard procedure among leading providers of apartments

"We are very focused on sustainability," said Alan George, chief investment officer and executive vice president of Equity Residential. "Sustainability is the right thing to do, and it's also a way of increasing the profitability of our company," said George.

The Chicago-based, publicly traded company owns 470 apartment properties with 130,000 units. Equity is making sustainability a factor in all of its major decisions, and that's been very well received by employees and customers alike, George said.

In southern California, SARES•REGIS Group is pursuing sustainability and green building, both for its apartment properties as well as its commercial real estate ventures. "Before there was even a notion of passing S.B. 375 (California's anti-sprawl legislation) we always targeted transportation corridors and infill locations," said Mike Winter, senior vice president in the company's Multifamily Development Division. It calls itself "the largest privately held developer of green apartments in Southern California."

Replacing Light Bulbs

Equity's vast portfolio requires lots of lighting, so it has realized substantial reductions in energy use simply by replacing incandescent bulbs with LED or fluorescent lights.

For the lighting in common areas and health clubs at its properties, it is installing occupancy sensors and daylight sensors to reduce energy use when there's natural light or no one in the space.

"LED technology is fabulous," George said. "The fixtures last for 20 to 30 years, eliminating the need to stock replacements and the cost of labor to change bulbs. Plus, they produce better light quality and use less power."

Equity is planning its first round of solar energy installations this year, including photovoltaic and thermal hot water systems. Two are in New Jersey and one

is in northern California. George said New Jersey and northern California are two areas where solar makes the most sense because of rebate programs and the high cost of electricity. Other installations are slated for properties in southern California and the Phoenix area.

The primary application for solar is for common area utilities, as well as at properties where there is master project-wide metering as opposed to individual meters in each unit.

Like other apartment owners, Equity is debating what to do about energy saving measures for individually metered units, where savings accrue to the tenants, not the owner.

Still, he said the firm is making in-unit upgrades that benefit tenants. As part of its routine upgrades, it is now installing dual flush toilets, and programmable thermostats. "Residents will give you credit for that in some way," he said. "You can't quantify it, but it's the right thing to do."

The firm helps tenants be mobile without owning cars by operating Zipcar car sharing programs at some of its properties.

The firm expects to acquire properties with a total value of around \$1 billion in 2011. It looks for large projects in urban areas that are near services and transportation. Years ago, Equity focused on garden apartments that were more isolated in suburban areas but has since sold most of those assets, George said.

California Greening

SARES•REGIS Group sees the incorporation of green building standards into state and local building codes as a positive development, according to Winter. The changes mean that private, third-party certifications may no longer be needed for new projects, which can reduce the company's cost for consultants and certification fees.

Given the difficulty in getting debt financing these days, he said it's prudent to reduce the "soft cost of being green." The costs associated with getting a green certification from a private agency have been as high as \$100,000, he said.

The company owns or manages 16,180 rental apartments and 15 million square feet of office and industrial space. It has more than 4 million square feet of commercial and industrial space in the entitlement process and 1,962 residential units in pre-construction and development.

Winter said the firm does not see much potential in installing solar panels, partly because it doesn't project an adequate savings in utility costs to justify the cost, but also because low-rise structures often don't have enough roof space to accommodate solar.

The company spends a great deal of staff time de-



▲ Alan George, chief investment officer and executive vice president of Equity Residential

veloping designs and going through checklists to see what features and new technology makes the most sense. For example, new water-saving toilets, faucets and shower heads get tested by staff members or in construction trailers to see if they are good enough to be put in a new project.

Lenders are not particularly impressed by green features, focusing instead on a project's financial feasibility. But the firm's institutional investors like the green qualities of its buildings, Winter said.

In addition to energy and water-efficient construction, the firm is making a major push to develop infill projects near jobs and transit.

In 2010, it opened Westgate Apartments in Pasadena, a "green" transit-oriented community of 480 apartment homes.

Located in Pasadena's historic district and two blocks from the Del Mar Station of the Metro Gold Line, Westgate offers a clubhouse, resort-style pool and spa, five themed courtyards and a fitness center. SARES•REGIS developed it in a joint venture with Equity Residential.

From a planning, design and sustainability perspective, this development is transformational," said Winter.

Winter said new residents at Westgate are attracted by the combination of the property's greenness as well as its easy access to transportation corridors, key job centers, shopping, dining and entertainment. "It adds up to create a textbook example for the new-era of modern urban planning and design," he said.

In addition to Metro Gold Line rail service, additional transit services serving Westgate residents include MTA Metro Bus Lines with routes throughout Los Angeles County, the Pasadena ARTS Bus System and Foothill Transit. There are 174 bicycle parking spaces clustered near elevator lobbies throughout the subterranean garage. The development has two dedicated charging stations for electric vehicles.

Westgate Pasadena is SARES•REGIS Group's second smoke-free, transit-oriented community. It also opened The Crossing in Anaheim, a community of 312 apartments that received LEED Gold rating from the U.S. Green Building Council. 🌱

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