

It could be tough to convince developers to embrace green building, and tenants to move into them, if they need to pay more to do so. With the economy still in a slump, and many companies trying to find ways to cut costs, it's an even more challenging sell.

A LEED-certified building, the lowest of the council's ratings, can cost up to 2 percent more, experts said. A platinum-rated building, the Green Building Council's highest rating, can add more than 6 percent to a building's cost.

Tipping the balance

Century Engineering built a new headquarters building in Hunt Valley which received a gold certification by the Green Building Council -- gold is the council's second-highest rating. The project cost about \$8.4 million, including \$700,000 in upgrades such as energy efficient mechanical and electrical systems.

The project benefited from nearly \$2 million in state and Baltimore County tax credits, which brought its true costs down to under \$7 million.

In Manekin's case, the developer opted to exclude LEED certification on the smaller of the two Belcamp buildings because the costs of doing so couldn't be justified with a 24,000-square-foot structure, Manekin Development Director Cole Schnorf said. With the larger building, Schnorf said, Manekin can spread the costs of designing and building a LEED-certified structure over more floors and multiple tenants.

"I would say it's a case-by-case analysis," Schnorf said. "Scale is certainly going to be a part of it, because there are some fixed costs that don't necessarily vary based on a building's size."

Capital Markets Group's standards, being shaped by Washington, D.C.-based Evolution Partners, could be finalized this fall for the banks' consideration. If the country's largest lending institutions adopt them, it could make the difference for developers who otherwise wouldn't consider LEED construction, said Evolution Partners Managing Partner Dan Winters.

Starting small

Some regional banks already offer incentives to developers willing to build green buildings, but Winters said most of the nation's largest banks have been slower to embrace that kind of thinking.

Howard Bank established a Sustainability Loan Fund about a year ago, open to developers committed to seeking LEED certification for their buildings. In exchange, the bank offers a lower interest rate and allows developers more time to pay back the loan.

A handful of developers expressed interest in the program, but Howard Bank President Mary Ann Scully said none have followed through. Scully said part of that is due to the size of those developers' projects. All have been for buildings smaller than 50,000 square feet, and at that size, Scully said, the developers have not been able to justify the added costs of LEED certification for their projects.

"The fund is there, and it's been publicized, but we've not had an appetite for it," Scully said. Bank of America and Wachovia Corp. have more layers of oversight built into them, Winters said, and are still reeling from the fallout of the subprime mortgage crisis.

"With the financial community right now, you're dealing with survival, you're not dealing with 'See, let's come up with a new product,' " said Winters, vice chair of the U.S. Green Building Council's Baltimore chapter. "There's inertia, and inertia needs to have a spark to overcome."