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Environment

With a good green score, developers may win loans

Washington Business Journal - by [Vandana Sinha](#) Staff Reporter

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By fall, a local nonprofit aims to unveil the first nationally standardized green scorecard for buildings to help determine just how many zeros should be on the checks that the developers deposit from their investors and repay to their lenders.

Capital Markets Partnership, a 1-year-old group based in the District, is writing the first draft of standards that will inject the fledgling green building movement into the age-old practice of project financing.



Joanne S. Lawton

Money doesn't grow on trees, but builders who show a concern for trees and other green features could have an easier time getting cash under standards drafted by Mike Italiano's group.

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Arguing that green buildings are more valuable and less risky ventures that deserve bigger loans at lower interest rates, the group will, in effect, pose to Wall Street a novel way of funding green development.

If adopted, a new process could emerge for underwriting green projects: Design a green building. Then score that building based on Capital Markets Partnership's green standards, a combination of the **Environmental Protection Agency's** Energy Star program, the **U.S. Green Building Council's** Leadership in Energy and Environmental Design (LEED) system and the Climate Neutral Network's Climate Cool rating systems. Attach that one-page scorecard to the loan application and let the building's level of energy and water efficiency speak for its long-term value to lenders.

The easier it is for investors to slap a price on a building using specific and nationally recognized degrees of greenness, the more willing they are to put their money into it, supporters of the standards say.

That, in turn, will create a bigger market for green buildings -- still barely a blip on the commercial landscape.

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"The capital markets are critical to commercializing green buildings," said Mike Italiano, chief executive officer and founder of Capital Markets Partnership. "Everybody is really pumped on it. But you have to have huge amounts of capital pumped into it."

Today investors cannot measure green buildings against one another or, more importantly, against "brown" buildings.

"The current standards don't say anything about green features," said Leanne Tobias, principal of Malachite LLC, a Bethesda real estate investment advisory company. "What [investors] like to do is make it very cut and dry. The way the markets develop, they want to have a fairly common standard."

Capital Markets Partnership pitched a draft standard June 19 in New York to the investment community, including Wells Fargo & Co., **Wachovia Corp.**, Moody's Investors Services and JPMorgan Chase & Co. After a public comment period, Capital Markets Partnership plans to lay out the final standards in August, in time for an industry vote this fall. It will market the green scorecard in partnership with the American National Standards Institute, a standards-setting body that devised this step-by-step process.

Their challenge is to get the voluntary standards widely adopted. The scorecard goes nowhere if builders don't buy into it or lenders don't ask for it.

Italiano, a U.S. Green Building Council co-founder and co-creator of the LEED standards, was the primary author 20 years ago of similar proposals that are now unquestioned "best practices," including standards that assess a building's environmental site and property condition.

If the green scorecard wins the same acclaim, supporters foresee potential bidding wars among lenders for the greenest projects.

"That's going to be a point of leverage when a guy goes into the investment community and pitches the deal," said Dan Winters, a lead author of the Capital Markets Partnership standards and managing principal for Evolution Partners, a D.C. real estate investment and private equity firm. "By providing that incremental bit of information out there to the marketplace to help them make better-educated decisions, that's what it's all about."

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