

Diversifying to Green: Is It Right for You?

Uncovering How Building Green Can Translate to Green for Specialty Trade Contractors

by Matthew Cass, ASA Manager of Communications

With each passing month, more and more construction professionals are recognizing that “green” is becoming the new bottom line. Everyone, from public officials to construction owners and general contractors, seems to be endorsing green building practices. Virtually inescapable within today’s construction world, sustainable construction — or green building — has taken center stage whether you like it or not.

Partly fueled by the growing number of federal, state, and local guidelines requiring public projects and/or new construction to be built to green standards, by 2010 green buildings will comprise 5 to 10 percent of the nonresidential building market as the demand among owners shows no signs of diminishing.¹ Quite simply, green building is here to stay. Yet many subcontractors

have questions about what the increased demand for green building means for them, and how they can participate in this expanding market. How large is the market and does it apply to my trade? What changes would need to be implemented for my company to build green? Simply put: Should my company diversify to green?

The Evolving Green Market

When green building was originally introduced, the responsibility for knowing about green building practices rested with representatives from the construction project’s owner and key members of the design team. As stakeholders demanded verification of green practices, the influence of initiatives such as the U.S. Green Building Council’s (USGBC) Leadership in Energy and Environmental Design™ (LEED) rating system and the Green Building Initiative’s (GBI) Green Globes assessment system began to proliferate

through the national construction market, making it increasingly evident that a successful green building project depended as much on construction as it did on design.²

As a result, building owners and designers began looking for prime contractors that had green construction experience. Stakeholders also began requiring that their prime contractors and construction managers assign LEED Accredited Professionals (LEED APs) or employees with some type of green skill set to their projects in order to make meeting green benchmarks easier.³ Recognizing the value of having specialty trades with green project experience, a similar trend has developed within the past several years of general contractors and construction managers requiring subcontractors to have knowledge of green building practices.

This expectation that subcontractors will have staff knowledgeable of green building practices continues to grow. According to a recent *Engineering News-Record* article (Sept. 24, 2007) titled "The Top Green Contractors:

The Mainstreaming of Green Building," "[m]any general contractors believe that the subcontracting community needs to come up to speed on green building." Indeed, in many cases,

prime contractors are writing the rules of the green game for subcontractors. In the same *ENR* article, a representative of one general contracting firm explained that his company has begun holding regularly scheduled meetings with its subcontractors on sustainable construction processes, similar to the way in which it conducts safety and quality meetings on its job sites. A representative from a large Washington, D.C.-based general contracting firm told *The Contractor's Compass* that a good portion of the specialty trade contractors being employed on one of its current green projects had no green building experience whatsoever, and the way it handled this was to provide its own set of green instructions and guidelines.

Providing even more insight about the opinions of those within the general contracting field, a recent poll of *AGC SmartBrief* readers, taken between the end of 2007 and the beginning of 2008, revealed that over 87 percent of respondents believe that green design and construction will become more prevalent in 2008. [*AGC SmartBrief* is the weekly newsletter of the Associated General Contractors of America (AGC) and is specifically designed for contractors and construction executives. Approximately 6 percent responded that green building will remain steady in 2008, while the remaining 7 percent said they thought it would decline.]

Changing Attitudes

To help uncover how subcontractors are responding to the demand for green building, ASA surveyed a random cross-section of members in December 2007. The survey asked participating specialty trade contractors a series of six multiple-choice questions. While the results and feedback were extremely revealing, three particular findings stood out:

1. Over half (52.6 percent) of respondents indicated that they thought green building was more expensive. This was in response to the question: "Does building green cost more (i.e., how does the cost of green or sustainable building materials — those required on LEED-certified/Green Globes projects — compare to the cost of materials that do not employ green/sustainable building practices)?"
2. Surprisingly, almost three-fourths (73.6 percent) of respondents reported that their individual companies had already participated in LEED-certified or Green Globes projects. Even more surprising was that about two-thirds this

group (44.7 percent of all respondents) indicated that they had "participated in several" green projects — suggesting that more commercial and industrial subcontractors are

participating in green projects than are not.

3. Despite the previous statistic suggesting most specialty trade contractors are involved in green building in some form or another, the majority of survey respondents (78.9 percent) said that none of their company's respective employees have become LEED APs or been certified in other green skill sets. Asked to comment on experiences with green building, one respondent said his company has gradually begun implementing green practices: "We've decided to build the behaviors required to successfully participate in LEED projects, like separating the trash, enabling recycling of the metals that would become part of the landfill. Building awareness is a great first step. We're now ready for the next step."

Seeing the proverbial writing on the wall, many more subcontractors may be ready to acquire green expertise. With respect to the overarching question concerning diversification, 65.7 percent of respondents to the ASA survey indicated they thought, based on their current knowledge of sustainable building projects, that their company would benefit from pursuing green projects — suggesting that most believe green building provides significant opportunity for market differentiation.

The choice of diversifying to green may become even easier as green construction requirements themselves become more

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¹ Construction Outlook 2008 (McGraw-Hill Construction, 2007) 7.

² Glavinich, Dr. Thomas E., "LEEDing Edge: Getting Accredited Gets You Ahead," *Electrical Contractor* (June 2006).

³ In January 2008, the USGBC transferred responsibility for ongoing administration of its LEED accreditation program to the newly created Green Building Certification Institute (GBCI). As a separately incorporated entity, GBCI will gradually become the primary source of information for LEED professional accreditation.

common. Numerous green building practices and requirements, such as minimum indoor air quality (IAQ) performance, have become, or are in the process of becoming, standard to most construction projects.⁴ As federal, state, and local governments continue to integrate such practices (which are by and large LEED-oriented) into their projects, green-skilled subcontractors will gain an advantage over their competitors. Some industry analysts even go as far to predict that subcontractors that choose to disregard green building as a passing fad — or reject sustainability based on misconceptions of cost — will do so at their own expense.⁵

With more and more projects looking to enlist subcontractors that are proficient in green building practices and techniques, diversifying to meet the

demand can enhance appeal among prospective clients and potentially lead to repeat business and a competitive advantage among competitors when bidding future projects. Another, less recognized incentive for diversifying is that the investment in, and commitment to, green building makes a subcontractor more attractive to prospective employees — a point that is especially important in the context of today's growing construction labor shortage. This applies especially to younger construction professionals who, research has indicated, are more inclined to favor sustainable construction than most other demographics. As one ASA survey respondent pointed out: "Aside from the obvious benefits to the environment and future generations, there is much to be gained for a company who [sic] pursues

and practices green/sustainable/resilient building practices. Having the certification and practicing green building is a great sales tool for those who want to set themselves apart from the rest. It looks good on company sales/promotional literature and Web sites. It also gives a good feel for the employees and company in an industry where we can use all the good feels we can get."

While some subcontractors are concerned that building green is too expensive because of higher initial costs and documentation requirements, that attitude may be changing.⁶ While fear of losing "green" has prevented some from "going green," one widely regarded study released in July 2007 posits that "[i]n many areas of the country, the contracting community has embraced sustainable design, and no longer sees sustainable design requirements as additional burdens to be priced in their bids."⁷ Various case studies have shown that in instances where building green involved higher cost premiums, the key causes were either:

- A lack of experience with green building certification/assessment processes and green building features or systems in general, which subsequently resulted in higher fees; or
- The inclusion of specific green building features that were treated as add-ons, and not properly integrated into the project's plans, timeline, and budget.⁸

Training and Education Is Key

To avoid these pitfalls, subcontractors that are ready to diversify to green need to invest in training and education. While prime contractors may frequently ask

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⁴ Matthiessen, Lisa Fay and Morris, Peter, "Cost of Green Revisited: Reexamining the Feasibility and Cost Impact of Sustainable Design in Light of Increased Market Adoption" (David Langdon, 2007) 20.

⁵ Riley, David; Horman, Michael; and Park, Jeff, "Emerging Green Markets: Strategies for Electrical Contractors on LEED and Green Building Projects" (Penn State University, 2006) 12-13.

⁶ Riley, Horman and Park 4.

⁷ Matthiessen and Morris 3.

⁸ Riley, Horman and Park 4.

subcontractors to follow the prime's own green requirements or another standard, increasingly the standard for green construction processes is acknowledged as USGBC's LEED rating system. Moreover, subcontractors should be aware that more than *three-fourths* of the LEED system directly involves the work of individual specialty trades — regardless of the way a green building project is set up, and regardless of which parties are ultimately responsible for the accomplishment and completion of specific portions of a project. These trades include, but are not limited to: asbestos and soil abatement contractors, electrical contractors, HVAC/mechanical contractors, landscape contractors, paving contractors, painting and decorating contractors, plumbing contractors, and roofing contractors.

The first thing to know about professional LEED accreditation (as opposed to the LEED certification of buildings) is that subcontracting firms do not become LEED-accredited; their employees do. Since being launched in 2001, the program has recognized over

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40,000 professionals with respect to their comprehension of green building practices and principles, and familiarity with LEED requirements, resources, and processes. Although there are no prerequisites to take the exam, candidates should be familiar with the design and construction process, have knowledge about green construction practices and processes, and understand the LEED rating system, including its documentation process.

A subcontractor will want to evaluate which estimators or other field representatives/project managers should become accredited based on its target share of work that will be green.

An accredited employee can help a subcontractor accurately estimate not only the costs but also the potential risks of participating in a proposed green project (e.g., whether the prime contractor's team knows as much as it should, who will be administering the project's LEED documentation, what the availability and costs of materials should be, etc.).

The cost to take the accreditation exam, per candidate, is \$300 for USGBC members and \$400 for nonmembers. Examination study materials include the LEED Green Building Rating System, a LEED AP reference guide, letter templates and other references. In

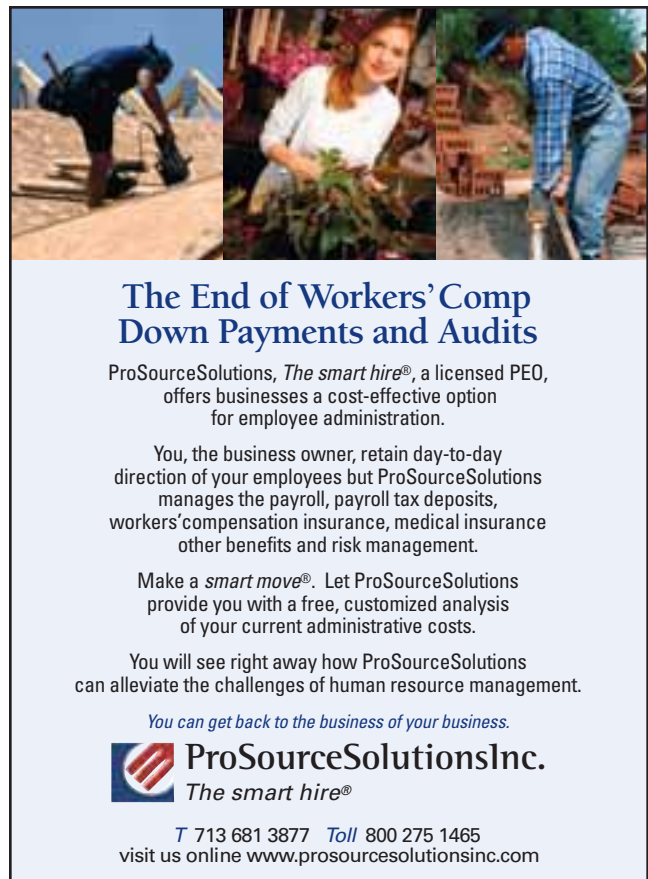


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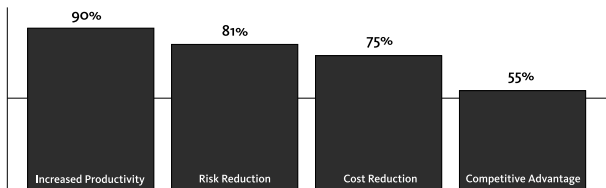
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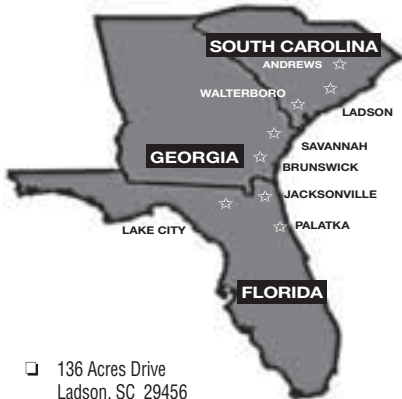
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In addition, the USGBC sponsors workshops to help candidates get ready to take the LEED Accredited Professional examination. Information about the exam (including a LEED AP exam FAQ), purchasing examination study materials, and workshop dates can be obtained from the USGBC's Web site (www.usgbc.org).

Once an employee is accredited, subcontractors have a valuable and marketable credential for prospective clients. Subcontracting firms that sponsor their employees' accreditation maximize the amount of expertise and knowledge their firms can offer their clients before and during projects, which in turn helps differentiate their companies within their own markets.

Other green organizations also offer tools that may be worthwhile for subcontractors in certain trades and markets:

- **Green Globes:** Developed by the Portland, Ore.-based GBI in 2004, and based on the United Kingdom's Building Research Establishment Environmental Assessment (BREEAM) program, the Green Globes system (www.greenglobes.com) is a user-friendly, online, interactive assessment tool that is probably the closest competitor to LEED certification within the U.S. green building market. While similar to LEED in numerous areas of design and practice, Green Globes is principally a management tool,



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or process guide, for green project teams, rather than a metric by which projects can be compared. Highly regarded within various sectors of the green building industry, Green Globes' Web-based self-assessment tool can be used and/or completed by any member of the building team. While Green Globes does not have a certification program

through which individuals can become credentialed, it does offer both professional affiliate association for individuals (for those who do not need or want to promote a project as having a rating) and third-party verification for projects. The latter includes a comprehensive review of documentation and a post-construction on-site inspection of the building. As of last year, the cost of Green Globes is \$500 per self-assessment (\$2,500 for an unlimited number of projects per year) and \$4,000-\$5,000 for third-party verification. To learn more about the GBI's Green Globes system, view the organization's "Affiliation Levels and Benefits" brochure available at www.nxtbook.com/nxtbooks/gbi/affiliation/index.php.

• **The North American Coalition on Green Building:**

This is a group of over 30 organizations whose goal is to promote green building concepts and standards that reflect the views and concerns of all stakeholders and that support the adoption of life cycle assessment. Members of the coalition believe the USGBC and its LEED rating system as currently developed and implemented do not adequately ground themselves in objective, scientific criteria and fail to provide a consensus-based process for development of the standards. The coalition's position paper can be found online at www.apawood.org.

• **NAHB National Green Building Program:** Green residential construction is becoming more and more widespread. According to the National Association of Home Builders (NAHB), the "vast majority (90 percent) of residential builders and developers" are interested in participating in a voluntary green building certification program like NAHB's National Green Building Program (www.nahb.org/greenbuildingprogram). This new program is geared toward linking dozens of successful state and local voluntary green building programs with a national online scoring tool for builders and verifiers. It will provide a registry of green homes and green builders as well as extensive educational resources.

Harold Wilson, a prominent 20th century British politician, once said: "He who rejects change is the architect of decay. The only human institution which rejects progress is the cemetery." Like building information modeling (BIM) and other new technologies and trends that are being integrated into today's construction industry, green or sustainable building represents a glimpse into the future. It represents revolutionary initiatives, not passing fads.

Given the expansion of the overall green building market, and the demand by owners for this type of construction, more subcontractors will need to embrace green building and sustainability as an integral concept to their construction business, not just as a matter of choice, but as a matter of economic survival. For many subcontractors, the main question of diversifying to green may be how to make a seamless transition, not whether to diversify. ■

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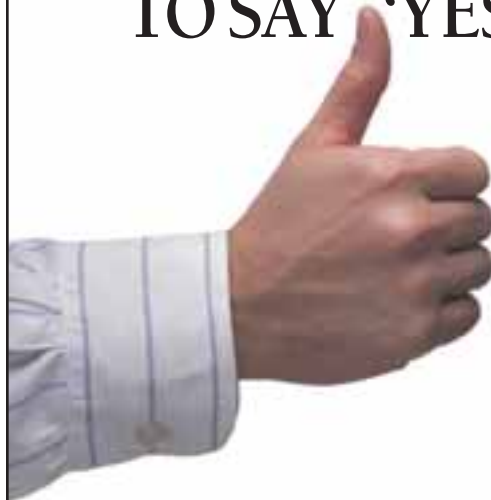
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