

Turning Green into Gold Trying to Sell Sustainability? You Better Learn How to Work the Numbers

by B. Alan Whitson, RPA

Convincing building owners in the private sector of the validity of implementing sustainable ideas on their projects has been a slow, uphill battle. However, the pace can be accelerated if manufacturers, architects, designers, and engineers were better equipped to build the financial case with their prospective clients. This was brought home in a stunning fashion at a recent trade show.

While walking the exhibit hall floor a gentleman with a vaguely familiar face called out from one of the display booths. It turns out this gentleman is a former sales executive for one of the companies that helps underwrites the Corporate Realty, Design & Management Institute's educational programs. He introduces me to the other people in the booth as the \$6 million man. I'm very curious and so is everybody else within earshot of the booth.

He explains that he attended one of my educational seminars. Afterwards I spent an hour with him and some of his associates discussing in more depth a few of the examples from the seminar. That day changed the way he approached clients and the way he viewed sustainability.

As the story unfolds it was clear that saving energy and reducing green house emissions was important to his prospective client, a real estate investment firm that attended the seminar. However, he was told this particular prospect was not inclined to invest any money in upgrading its existing HVAC system. Undaunted, the salesman insisted on speaking with the CFO. The engineers were puzzled by the request and tried to brush it aside saying it would never fly because the recommendation had a

three-year payback. But he was persistent. Then, he was given the classic turndown, "there's no money in the budget." Yes, they agreed his recommendation would reduce energy costs, but the CFO told them to not spend any money. He asked why? The firm was seeking to buy another building, so all but the most critical and urgent projects were on hold. "All the more reason to speak with the CFO," he urged.

Finally, the engineers relented and got him a 15-minutes with the CFO. At the beginning of the meeting, he got the engineers to state that his plan was solid, logical and very workable from the technical point of view. Plus, the range of potential savings was valid and not hard to achieve. I'm sure you've guessed it by now. The discussion was no longer about CFCs or green house gas emission, it was revolving around money – always a favorite topic among CFO types.

Nor was it focused exclusively on cost. The conversation was about the economic value being added. After punching a few buttons on a calculator, everybody agreed on a dollar amount for the energy savings. Then he asked the CFO, "What is the capitalization rate for the building being purchased? Could the same capitalization rate be applied to the energy savings for this project?" The CFO smiled slightly and punched in a capitalization rate. He used a very conservative loan to value ratio. The CFO sat there quietly looking at the green numbers on the calculator – the newly created equity in the building. Then the salesman asked him if this be enough to purchase the new building. Yes, \$6 million is more than enough said the CFO.



Everyone got what they wanted. The real estate investment company got a new building. The salesman scored on a HVAC upgrade. There's on-going energy savings. Green building advocates have another ally. Shouldn't this happen more often?

Well, we're going to try. A workshop will be given this year specifically for architects, designers, and engineers. It's called, "How to Sell Sustainability to Your Clients." The class will focus on how to overcome the biggest financial objections and avoiding terminology that dilutes the case for sustainability. We shared this plan with **Lisa Fay-Matthiessen**, co-chair of the Los Angeles **AIA COTE**, and she thinks this is exactly what's needed. Lisa is one of the best when it comes to working the numbers on green building projects. **Autodesk** is supplying seed money to insure that the workshop is given in a minimum of eight cities this year. The first workshop is May 25 in San Francisco.

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(This column is published in conjunction with the Corporate Realty, Design & Management Institute and the Center for Sustainable Real Estate. Click on www.squarefootage.net for a seminar schedule, books, and white papers on sustainability and high performance buildings. Alan Whitson's latest book, *Interior Fit Out – Guidelines for the High Performance & Sustainable Workplace* will be released this Spring. He's also working on a finance book for architects. You can contact Alan Whitson at awhitson@squarefootage.net). ▲



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