

GREEN BUILDING: Coming to a Construction Site Near You!

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By David L. Phelps, CPA, Barnes Dennig (Cincinnati, Ohio)

Green construction is here, the question is are you ready?

Every year, buildings extract a huge toll on our environment. According to the *2008 U.S. Department of Energy Buildings Energy Data Book*, buildings account for 40% of energy consumption and 73% of electricity consumption in the United States. Through "green" construction, the impact to our environment can be reduced significantly.

Government initiatives, incentives and tax breaks, not to mention public demand for environmentally-friendly construction, are driving the growth of green construction. Green construction requires a separation from traditional construction products and methods to achieve environmentally friendly results.

Not long ago green construction was an idea, something out of the ordinary. According to McGraw Hill's *Green Building Smart Market Report 2006*, by 2010 approximately 10% of the commercial construction starts are expected to be green.

Expensive products made green construction an unfavorable alternative to established construction techniques. However, with improvements in sustainable materials green building is becoming more affordable. Green Building Alliance (www.gbapgh.org) projects the green building products market to be worth \$30 to \$40 billion annually by 2010.

An unprecedented amount of government and institutional initiatives (see below) will put green construction in front of many contractors. Many of these initiatives require new construction projects to be LEED (Leadership in Energy and Environmental Design) certified.

According to the *U.S. Green Building Council*, LEED initiatives have been adopted in the United States by the following:

- 128 cities
- 32 counties
- 33 towns
- 44 states
- 12 federal agencies
- 16 public school systems
- 39 institutions of higher education

LEED is a third party certification program developed by the *U.S. Green Building Council*. LEED rating systems for new construction, existing buildings, commercial interiors, core & shell, schools, retail, healthcare, homes and neighborhood development have been developed or are in the pilot phase. The first LEED rating system was placed into service in 2000 and has evolved into the systems mentioned above. LEED 2009, dealing with commercial buildings, is currently in the works.

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LEED assigns points for various aspects of the construction process. A minimum number of points are required to become certified. The more points earned the higher the rating. Rating levels from lowest to highest are certified as: silver, gold and platinum.

An example of how cities are supporting this initiative: The City of Cincinnati, Ohio has taken great strides to embrace green building by offering 15-year property tax abatements for newly constructed homes and commercial buildings which are LEED certified. There is no cap on the maximum property value eligible for abatement for commercial/industrial developments. Home exemptions are limited to \$500,000 of property value under the program and property tax is still due on the value of the land. Cincinnati also offers a 12-year property tax abatement for renovated commercial property and a 10-year abatement for renovated homes.

At this time, no other city, state or local government in the Greater Cincinnati area is offering property tax abatements or other incentives to become LEED certified. However, the City of Cincinnati and Cincinnati Board of Education now require LEED certification on all new construction projects. The *Ohio School Facilities Commission* approved the incorporation of green building features into all future school projects and required a LEED silver certification for all K-12 construction projects.

In August 2007, Kentucky Governor Ernie Fletcher signed a bill instructing the Finance and Administration Cabinet to use LEED and other standards to develop green building incentives for private development in Kentucky.

In June, 2008, Indiana Governor Mitch Daniels required all new state buildings to earn LEED silver level or other equivalent designation and that all renovations must follow LEED or other green building guidelines.

So, get ready to be green, if you haven't already! Visit the *U.S. Green Building Council* Web site at www.usgbc.org for information on green building, LEED certification, green products and related information.

About the Author:



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"Helping clients navigate through the tax code is a challenge I enjoy. The complexity and ever-changing nature of the tax code can cause frustration for clients trying to earnestly comply. It's great to be able to clarify the issues and recommend a course of action for clients – ultimately offering them peace of mind."

Prior to joining Barnes Dennig, Dave worked with the Internal Revenue Service where he learned a great deal about the nuances of the tax code. During his time there, he worked primarily with construction and real estate companies. That knowledge has served him well with Barnes Dennig and he is an integral part of the firm's Construction Client Service Team. His areas of expertise include tax compliance and consulting services. Dave's breadth of knowledge, experience, and training make him a decided asset to his clients.

Dave has more than 19 years of experience in accounting and tax consulting, and is uniquely qualified to direct Cost Segregation Studies. He has extensive experience working with contractors and real estate developers.

Other industry experience includes wholesale-distribution, manufacturing, service companies and a number of other industries.

Dave holds a Bachelor of Arts in Accounting from Thomas More College. He also holds memberships in the American Institute of Certified Public Accountants, Ohio Society of CPAs and Northern Kentucky Home Builders Association. He has been published as an expert in the *Business Courier* and has written several articles for local publications.