

Evolution of sustainability

How going green is becoming an essential business practice

INTERVIEWED BY JAYNE GEST

As sustainability continues to gain momentum, business leaders need to address how this movement will influence the way they run their organizations. Doing so can lead to immediate savings in power and other costs, and boosts the market value of the property.

“It’s a change in culture versus something that’s just an on-and-off switch,” says Greg Martin, partner and National Real Estate & Hospitality Practice leader at Moss Adams.

Smart Business spoke with Martin about what’s happening in the field of sustainability and how an accountant or adviser can help.

What’s happening with sustainability today?

Sustainability and Leadership in Energy and Environmental Design (LEED)-certified buildings have been talked about for some time. Early signs of sustainability in practice started out simply with hotel properties putting out signs about reusing towels or unplugging phone chargers. Then, many moved on to using low-flow showerheads or locally sourcing food. That sentiment has crossed over into the expectations of commercial building tenants, many of whom got the idea, at least in part, from attending conferences in energy-efficient hotels.

From a real estate perspective, more commercial office-building tenants want to see sustainable practices followed in their workplaces. The companies that show they are concentrated on green living can use that as a competitive advantage. Eventually, sustainability will be part of our everyday psyche, so you want to take advantage of these competitive strengths when you can.

How does going green translate to the bottom line and profits?

It’s expensive to put in energy-efficient measures, such as those that limit water or

power consumption. But in doing so, you can significantly reduce operating costs from day one and possibly attract sources of capital — some investment groups only invest in properties or companies with sustainability policies and procedures.

A number of studies found increased operating incomes and higher market values and returns for sound sustainable properties versus non-sustainable properties. A green label such as LEED or Energy Star raised market rents and values of commercial space, including a 16 percent increased sale price, according to a 2010 University of California, Berkeley study of 10,000 U.S. office buildings. A Davis Langdon study estimated upfront costs for high-sustainability design can be \$1.50 to \$3 per square foot, but those outlays also can bring up to 14 percent reductions in energy costs. In addition, PNC Bank put together a study of their LEED-certified branches compared to non-LEED branches, and found LEED branches had more income, deposit accounts opened and consumer loans.

As data becomes available on the returns, cash flow and market appreciation of sustainability, we’ll likely see more benefits of following these policies and practices.

How can an accountant or adviser help with sustainability reports and programs?

CPAs are getting involved in reporting



GREG MARTIN

Partner, National Real Estate & Hospitality Practice leader
Moss Adams

(415) 677-8277

greg.martin@mossadams.com

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on whether companies are meeting sustainability policies and procedures. Often, an independent and objective CPA will look at the data provided by the management of the company on what they have done in the area of sustainability, referring it back to the company’s policies and procedures. The CPA basically concludes whether they are in agreement or not with management’s assertions. It lends another level of credence and credibility by generating a report based on benchmarks.

Another value-added service that’s gaining momentum is our sustainability consulting group, which consults with companies on setting up green policies and procedures as well as a process to monitor how companies are doing against their goals.

Is this a newer aspect of sustainability — showing that you are accountable?

It’s catching on. Is there some set of rules that say, ‘Thou shalt,’ like the SEC says that public companies shall present audited financial statements? Not really — it’s a best practice. It shows how the company is serious enough that they are going to bring in a credible, objective, independent party to verify what they have represented to others.

Sustainability is not a fad. Ignoring it is not going to make it go away. And because it’s here to stay, it will only continue to gain importance. ●