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What Does Green Building Have to Do with New Markets Tax Credits?

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In May, the Portland Family of Funds' (PFF) Portland New Markets Fund was awarded \$100 million in new markets tax credits (NMTCs) for the 2003 round. As PFF begins investing these funds in projects, it has chosen to focus on more than just economic and social returns. By also incorporating environmental returns into its investment decisions, PFF will stimulate a significant volume of environmentally sensitive - or green - construction, while simultaneously increasing community benefits and financial returns.

Because PFF will be directing its NMTCs primarily into real estate, there is an opportunity to make a real shift in how new development happens in the Pacific Northwest. With building construction and operations accounting for 35 percent of the energy consumed, 35 percent of carbon dioxide emissions, and 25 percent of land-fill space in the United States, there is plenty of room for environmental improvement and cost savings. Green building strategies are emerging as a way to decrease environmental impacts while enhancing financial performance.

The U.S. Green Building Council has created design standards for buildings that reduce a wide range of environmental impacts while enhancing the health and productivity of building users. PFF is embracing these project standards (known as the Leadership in Energy and Environmental Design (LEED™) Green Building Rating System) as a precise tool to assess and promote high-performance green buildings.

By supporting projects achieving LEED™ certification, PFF can act proactively to address the growing need for energy efficiency and greenhouse gas reductions

while tapping into a strong market niche for buildings with natural daylight, healthy indoor air quality, and non-toxic finishes. Recent LEED™ buildings in Portland, including the Natural Capital Center and Brewery Blocks, have outperformed the local real estate market significantly.

Environmental concerns aside, green building simply makes economic sense. While there is a perception that green building is not viable economically, any modest initial cost premium (typically 2-5 percent or less) is more than recouped by the cost savings from energy and water efficiency, decreased maintenance costs and increased occupancy rates and rents. And by helping to cover any initial cost premiums, NMTCs allow for investments with long-term financial performance that investors can feel confident in.

Green building's guarantee of strong, lasting economic returns is highly reliable, and PFF intends to fully exploit current market failures in the finance and valuation of green buildings, creating a profitable niche that should encourage emulation by other financial institutions.

Green building is good for communities as well. Green buildings are designed to be healthy for occupants, with natural daylight, natural ventilation, non-toxic paints and finishes and higher comfort levels due to enhanced user interactivity. They are also good neighbors, an important divergence from a history of low-income areas carrying a disproportionate burden of polluting industries.

Green buildings are community education cen-

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ters and gathering places; they become a neighborhood attraction, boosting local businesses, strengthening a sense of place and stimulating local wealth and job creation. From the water cooler to the community, the social returns that green building offers are unique and significant.

While PFF chose not to highlight green building in its most recent NMTCs application in order to maintain a straightforward narrative, PFF is confident that by adding environmental returns to the NMTC equation, its investments in Portland communities will only be enhanced. Green building and the LEED™ standard are a reliable structure for incorporating efficiency and sustainability into new high-performance development, establishing substantial benefits for the community, economy and environment that will last for many generations.❖

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