

**SPECIAL REPORT:**

# **Go GREEN Bank GREEN**

**How to add \$1,500, \$2,500, \$5,000 or more to  
your next residential or commercial  
real estate investments by using green  
renovation & upgrade strategies**

By Jim Simcoe & Andrew Waite



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# **Go Green Bank Green**

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**By**

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**Select cities and counties will be mapped and published based on demand – contact [andrew.waite@nexzuspub.com](mailto:andrew.waite@nexzuspub.com) to prioritize your town.**

# **1. INTRODUCTION - HOW TO REAL IMMEDIATE BENEFITS FROM GOING GREEN**

## **WHO SHOULD READ THIS DOCUMENT AND WHO CAN BENEFIT?**

Any owner of real estate whether this is a single family dwelling, a duplex small, medium or large multifamily or commercial properties is currently in the position to benefit from many government incentives designed to reduce energy use, create healthier living and working environments and generate jobs.

No matter your politics or position regarding the current stimulus legislation, this recycled tax money is available to encourage energy saving and job creation. No homeowner, real estate investor, landlord or commercial property owner should ignore this content. There is from \$1,500 to many thousands of dollars available per property. This money is finite and can end when it is all spent or the goal of this portion of the economic stimulus is deemed to have been achieved.

Just these two examples show the culture of the real estate industry is being heavily influenced by legislation and the incentives that are being brought to effect environmental change.

- Did you know that appraisers are encouraged to value homes and apartments at ten percent more than non-green equivalents once they are brought up to recognized environmental standards?
- Did you know that in many markets there are up to 25 different grants, tax credits and financial incentives and other benefits in place to encourage adoption of the environmental standards by a home builder, renovator or investor?

This study will show you how to go about learning, acquiring and benefiting from these incentives. This is how to make money as an enviro-capitalist.

## **ENVIRO-CAPITALISM – BANK ON IT!**

“Being ‘green’ is a by-product of a high-performance company,” says Jim Simcoe, principal and founder of Simcoe Consulting, a green strategy consultancy “not the other way around. If you are focused on ‘green’ as a final outcome,” says Simcoe, “you’re taking your eye off the ball. High-performance companies ultimately become green as a by-product of their efforts because they are efficient. The fact they are environmentally thoughtful and it makes or saves them money justifies the strategy. The bonus to the economically resourceful is the leveraging the rebates, tax credits and grant incentives that add to the bottom line.”

Earth Advantage Institute, Portland, Oregon, found that builders and real estate agents can market and monetize green building. In year through July 2009 traditionally newly built homes sold for an average of \$173 per square foot while similar but green certified homes sold for an average of \$193 per square foot or a premium of nearly twelve percent, not counting any green build incentives.

As an owner, navigating your way to the eco-incentives that green renovation and green marketing can deliver is still a specialized field. This report is designed to raise your awareness, show you the steps and introduce you to resources that can deliver an investor or home buyer an immediate and long term financial eco-edge.

***This means helping find, make or save you money!***

## **ABOUT THIS DOCUMENT**

We are writing this document in a dynamic environment. We have rushed it market so we can provide help to investors in tracking down these grants, incentives, rebates and tax credits. Some are expected to expire relatively soon, so immediate compliance and application is relevant. Others are perennial, but have a time sensitive exception. Then there is the local and regional variations of the incentive applications. We start by providing residential and business templates for a couple major cities and will back fill templates for most major investment markets to meet demand. As a subscriber to Go Green Bank Green you will be updated on these templates as we complete these. Thank you for your support and your business.

## **2. THE BUSINESS CASE FOR GOING GREEN**

First let's set a true definition of a green initiative since it can be both ambiguous and misunderstood. Going green can also attract unnecessary controversy. For the record, any project, initiative or effort must incorporate four elements to be considered green:

1. **Environmentally Friendly** - It must cause less impact or damage to the environment than the available alternatives.
2. **Healthier Living** – The result must be a healthier living/working environment.
3. **Marketing Advantage** – The result must be able to be genuinely presented as a green property.
4. **Financial Advantage** – The result must generate more appraised value or sell or rent faster as a genuinely green property.

If the effort does not achieve all four elements then it's not green or sustainable, especially when trying to creating added value in a real estate investment.

***Why have green property renovation and upgrades becoming a viable initiative for real estate investors to pursue?***

There are dozens of reasons but these can all be boiled down into three major categories: demand, incentives and performance.

**A. DEMAND – DEMONSTRATED BUYER DEMAND**

As consumers have become more knowledgeable about the desirability of green strategies, the demand for environmentally friendly products and services has continued to rise. While consumers may care about protecting the planet as it seems like a laudable goal, individuals are most concerned about protecting their lives and the lives of their families and doing so without undue expense.

This demand is boosting the growth of companies who specialize in green products. Major companies are developing green product brands. As more green products enter the marketplace, product selection and consumer purchase volume increases and the rising volumes reduce prices. The demand drives down the price of green products and increases the selection. As this pattern continues, affordable alternatives are coming to market and becoming more competitive with, and even, replacing non-green products.

**B. INCENTIVES – ADDED MONEY FOR GREEN RENOVATION**

The real tipping point has occurred with the introduction of significant incentives by various government agencies and private brands. These apply real estate investors who pursue a green strategy. Incentives can include tax credits, product and service rebates, grants and incentives. They exist on the federal, state, county, city and non-governmental agency level.

## **IMPORTANT CAUTION**

### **MARKET TIMING AND POTENTIAL INCENTIVE EXPIRATION**

The current market desirability of going green is a benefit for real estate investors. ***Do not expect this to last.***

The environmental popularity combined with public and political pressure to save energy has pushed utility companies and government agencies to offer incentives to save energy, reduce water use and relieve the pressure on city sewer and trash services. In tough economic times that pressure increases exponentially. Costs remain constant, revenue drops and taxes become harder to raise.

Once the tipping point occurs in the momentum to achieve the tangible and financial benefits of going green, the rebates and incentives are used they will start to become less available. The utilities, municipalities and other the government agencies will no longer need to offer these as energy and water use has been reduced and a sustainable trend established. Enough people will have embraced the concept of green building. All new builds will be required to follow sustainable green strategies. Renovation of existing buildings will be required to follow sustainability building standards so that the majority of all housing will have a reduced total cost of ownership because of lower energy use.

### **C. PERFORMANCE – A SALES OR RENTAL ADVANTAGE**

Green real estate projects set a similar standard. They are regarded as environmentally-friendly but now green projects are increasingly being thought of as high-performance and now financially rewarding projects.

Green residential projects tend to be built better, use improved materials and provide superior energy savings with less negative environmental impact. They cost little more to implement, may attract incentives, cost less to operate and are more comfortable and safer for those who live and work in the resulting buildings. The performance of these properties is perceived as

superior in every way to non-green projects.

An investor using a green renovation strategy is ahead of the majority. Green real estate investors' properties are considered to be of higher construction quality and lower energy usage therefore worth more money. This is only the case if the property is conscientiously marketed by a competent real estate professional who understands the value of green positioning. It is the combination of these elements that provide a strong business case for green real estate investment.

### **TAKE AN IMMEDIATE MARKET ADVANTAGE**

Position, list and present your property as a green property whether it is for sale or as rental. This property has been renovated in a green friendly manner. It is managed in a way that pays attention to environmental impact. This will reduce your competition significantly.

By positioning this way you can attract more buyers or renters, in a demographic that is prepared to pay premium prices even in a down market.

Put simply this is class of buyers or renters that wants to live/work in places that are safer and cost less to operate. This demographic will pay more for that opportunity. This is only half the story.

The grants, rebates, green loans and tax credits pay an investor to develop property reflecting these cost saving and investment justification values. Green upgrades and marketing strategies will position as a higher quality product and a market differentiator that should translate into financial advantage.

## **3. THE DEMAND FOR GREEN PROPERTIES**

### **Buyer Statistics & Green Surveys Point the Way**

The demand for green properties is currently greater than the supply of green properties. People will pay a premium for a certifiably green property or rental home even in a down market. Various grants, rebates incentives and tax

credits make it cost-effective and relatively easy to begin implementing. Smart investors can capitalize on this trend and reap financial rewards.

This study is designed to introduce what these strategies are, what steps can be taken and why they result in financial returns.

Right now there are more buyers and renters desiring green homes than there are green homes to buy or rent. Increased awareness on safety and a heightened focus on energy cost reductions are combining to create a market of green buyers/renters that builders and real estate rehabbers have not kept up with. Put simply, the supply for green has not kept up with the supply.

## **MARKET MOMENTUM DOCUMENTED**

1. A recent survey by the National Association of Realtors (NAR Profile of Buyers' Home Feature Preferences, August 2007) found that nine out of ten Realtors® said their clients were interested in energy-efficient features of green homes and the potential cost savings of such features. An overwhelming 90 percent agreed there will be even more interest in green building practices a year from now.
2. McGraw-Hill Construction (The Green Home Consumer: Driving Demand for Green Homes, November 2008) surveyed a representative sample of one million U.S. households (equating to three million consumers) to find those individuals who had purchased green homes over the last three years. Going green was the top reason cited by survey respondents for remodeling their home. Environmental benefits such as lower energy costs and healthier air were identified by 42% of respondents as their main reason for home improvements. The study also found that:
  - 70% of buyers are either more or much more inclined to purchase a green home over a conventional home in down housing market.
  - Overall, lower income buyers say they found tax credits and government programs, indoor air quality benefits and green certifications to be the most important incentives for them to buy

green homes.

- Making homes greener is now the number one reason for home improvement (42%) over remodeling for comfort reasons (34%) or to improve appearance (24%).

- More than 80% of respondents said they believe that green homes are not just more economical, but offer better and healthier places to live.

3. Green remodeling is the hottest business opportunity to hit the remodeling {retrofit} market in years according to the National Association of Home Builders (NAHB) as energy efficiency, environmentally responsible remodeling techniques, materials and strategies are being used by an estimated 65-85% of remodelers. The NAHB estimates that 125 million homes in the US, the vast majority lack energy-efficient features but that the average customer is willing to pay almost \$9,000 upfront for better energy efficiency. (NAHB Remodeling Market Index 2008).

4. When asked to list their top 12 influences in buying a home, consumers responding to a National Association of Home Builders survey last year put energy efficiency at No. 2, behind quality of living space. Five years ago, energy didn't even make the same survey. (\*AVID Ratings, Co conducts an annual survey of home buyer preferences)

5. Green building seems to be insulated from the recession and is growing. The value of green construction increased five-fold from \$10 billion in 2005 to as much as \$49 billion this year and could triple by 2013 to nearly \$150 billion according to McGraw Hill's 2009 Green Outlook study.

## **4. WHAT PEOPLE WANT - GREEN ELEMENTS IMPORTANT TO BUYERS & RENTERS**

### **What is Most Important to Buyers**

According to a survey conducted by the Earth Advantage Institute in June 2008, a majority of respondents indicated that a green certification on a home positively influenced their decision to purchase that particular home.

Some other key findings of the survey:

Ninety eight percent of respondents would choose to purchase a green-branded home over a comparable non-green brand home.

Thirty six percent of respondents said they would pay up to 10% more (on a \$300k home) that incorporated green measures outlined by Earth Advantage. On a \$300,000 home that's an equivalent of spending an additional \$30,000.

Of the green home elements listed, 77% of respondents ranked energy efficiency as either 'important' or 'extremely important'. 43% of respondents ranked Indoor Air Quality as 'extremely important' and lower utility costs were 'extremely important' to 55% of the respondents.

At the end of the day, most people want to live in a home that is more energy efficient, less toxic and costs less to run. The number of people willing to pay more for these luxuries continue to increase spurred on by the near-constant media attention given to sustainability and green living.

### **What is Most Important to Renters?**

An Apartments.com survey in April, 2009, found that 60% of renters said that they specifically search for environmentally friendly apartments. In addition, the survey found that 25% are willing to pay more for those amenities and 17% said that they wouldn't rent a non-green apartment.

This survey brings to light a fascinating difference between renters and homeowners. Both groups are interested in green living and would prefer to

live in a green home. However, renters are more likely to demand green features while homeowners will install green features if costs aren't prohibitive.

## **5. WHO HAS THE MONEY?**

### **“WE ARE FROM THE GOVERNMENT AND WE ARE HERE TO HELP”**

Really! Right now this is no joke as the government has made going green part of the American Recovery and Reinvestment Act of 2009. The money is there for you to help your real estate investment improvements if you genuinely desire to make them energy efficient. Below is a partial list of resources available to real estate investors to receive tax credits, rebates, and a variety of incentives.

**The Database of State Incentives for Renewables & Efficiency** is an ongoing project funded by the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE), primarily through the Office of Planning, Budget and Analysis (PBA). The site is administered by the National Renewable Energy Laboratory (NREL), which is operated for DOE by the Alliance for Sustainable Energy, LLC. It is the first place to look for rebates, credits and incentives for all 50 states.

**Grants.gov is the Federal Government's web site for posting funding opportunities from all Federal Agencies.** It is a central storehouse for information on over 1,000 grant programs and provides access to approximately \$500 billion in annual awards. [www.grants.gov](http://www.grants.gov)

**ENERGY STAR** is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy helping us all save money and protect the environment through energy efficient products and practices. This website also offers a list of Federal Tax Credits and Rebates. For example, if you install solar

panels you can receive a tax credit equal to 30% of the cost.

[www.energystar.gov/](http://www.energystar.gov/)

**The Energy Efficiency and Conservation Block Grants (EECBG)** Program was funded for the first time by the American Recovery and Reinvestment Act of 2009. It is intended to assist U.S. cities, counties, states, territories, and Indian tribes to develop, promote, implement, and manage energy efficiency and conservation projects and programs. Through formula and competitive grants, the Program empowers local communities to make strategic investments to meet the nation's long-term goals for energy independence and leadership on climate change. [www.eecbg.energy.gov](http://www.eecbg.energy.gov)

**The Office of Energy Efficiency and Renewable Energy (EERE)** works with business, industry, universities, and others to increase the use of renewable energy and energy efficiency technologies. One way EERE encourages the growth of these technologies is by offering financial assistance opportunities for their development and demonstration. [www.eere.energy.gov](http://www.eere.energy.gov)

**The American Recovery and Reinvestment Act** provides Tax Incentives and Tax Credits for individuals to invest in energy-efficient products. [www.irs.gov](http://www.irs.gov)

**EPA** leads the nation's environmental science, research, education and assessment efforts. The mission of the Environmental Protection Agency is to protect human health and the environment. Numerous sources of funding for green building are available at the national, state and local levels for homeowners, industry, government organizations and nonprofits.

[www.epa.gov/greenbuilding](http://www.epa.gov/greenbuilding)

**Local Governments for Sustainability (ICLEI)** is a membership association of local governments committed to advancing climate protection and sustainable

development. Find the latest funding opportunities offered by local governments. <http://www.icleiusa.org/action-center/financing-staffing>

## **6. WHAT MONEY IS AVAILABLE?**

There are a number of rules of thumb to these different sources of cash or credits.

- Incentives: These are things that a city or county is willing to do to encourage green building or renovation in their jurisdiction. They will give you cash incentives or a cash offset such as waiving permitting fees. If the city or county gets homes built that LEED certified or built to Build it Green standards as in (Encinitas CA) they will provide with grant money to encourage builders to make this happen.
- Grants – a city or county gives money for a specific project and specific to a particular building, builder and renovator. Detroit offers an example of eco-friendly low housing complex. The builder had to write a business case for the money. An organizational expert and a grant writer put this plan for a non-profit together that resulted in subsidies for combined green low income housing. Once this pool of money is once gone it can be replaced based on experience and success. These programs have a very specific value, once established are hard to eliminate but are harder to win without experienced grant winning expertise. Advice for best legal structure and for assessing and winning a grant is essential.
- Rebates – This is simply a discount for buying something or doing something that is defined as green. The esmaple is Energy Star appliances or something agreed to be energy or water efficient. Changing the light bulbs, buying a washing machine and getting \$50 rebate by proving you bought with a receipt. These plans have been around for a long time in many forms by the energy saving and green movement emphasizes these as investor friendly.

- Tax Credits – These are available at an LLC, entity and personal level as a earned tax incentive by way of a discount or a refund. The magic number is \$1500 for going energy efficient in a specific area such as insulation upgrades. There are much higher allowances for adopting alternative energy sources such as solar and wind (popular) or geo-thermal (less frequent) and offer uncapped tax incentives up to 30% of the capital costs of the upgrade for residential or commercial properties.

## **7. MARKETING FOR A PREMIUM RETURN**

Once the grants, incentives, rebates and tax credits are identified applied for and in process of being awarded and collected, there is a second part to the going green to banking green. This is the market positioning of the property to either sell or rent at a premium earned because of the green renovation that is recognized as a verifiably green project. Watch for “green washing.”

### **Puppy dogs & infants**

Puppies and babies are feel-good stories. Walk through a park with either and you're bound to get smiles. The media loves feel good stories. Currently sustainability is hot topic. Being green saves money, protects the planet and when positioned as a financial advantage attracts no controversy.

It's the triple-crown of content for any media source: It's interesting and compelling, it benefits the reader/viewer directly and makes the media source look like an expert.

The third element is key to having the media recognize you and your success because it builds a favorable brand for the media source while your activities help position them as experts in a field that is gaining mainstream interest. Being an expert creates a competitive advantage in the fight for eyeballs. Add a financial justification and this competitive advantage multiplies as it is interesting and potentially valuable.

### **How to leverage media to increase profits**

First, understand what the media needs: a compelling story, some free advice and feel-good touch at the end. Your presentation should tell them why your story makes sense, is timely and ultimately helps their readers and viewers. The story angle and pitch should follow their suggested format for the story (case study, profile, trends, etc.)

Second, position as an expert for the interview or profile attached to the story. Sell the fact that there is no story without a personality and that human involvement is crucial. This reaffirms the position of a thought leader that validates the writer/interviewers story.

Third, with some media attention, more will follow. Leverage this for more with a personal press release campaign. The more media, the more recognition as an expert, the more media opportunities will arise.

### **The benefits to leveraging the media:**

1. Third party publicity increases the perceived value of the covered projects. Positioned as the expert, the perception is that the associated homes/buildings are higher-performance, greener and thus worth more.
2. For investors pursuing a buy-and hold strategy especially in central and recovering neighborhoods, it can give attract a better class of tenant, higher rents and a competitive advantage. There may be ten houses for rent in a certain neighborhood but tenants will pay a premium for your property because they saw it on local TV or read about it and know assume it is a high-performance home and a high performance landlord.

**CASE STUDY - IN THE NOW INVESTMENTS**

**WWW.INTHENOWINVESTMENTS.COM**

This is an example directly from a Simcoe Consulting client:

In The Now Investments buys foreclosures and HUD homes in the Detroit area. They rehab these and then re-sell to investors. When Simcoe started working with In the Now they began by greening all of their rehabs using eco-friendly materials and taking advantage of tax credits and rebates. In The Now contacted a reporter at Crain's Business Daily (the largest business publication in Michigan) and pitched him on doing a story.

Message: In The Now was creating sustainable neighborhoods out of formerly dilapidated homes. They were also creating green jobs and at the time were unique in Detroit with this type of green real estate investment. The result was a full page article, with pictures, published within three weeks of reporter interview. New deals resulted with new investors and several new prospective partnerships as a result of one article. This article has become the basis of appealing to more media with this opportunity.

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