

Webster Goes Green

By Betsy Giusto, Ph.D.

GREEN COMMERCIAL BUILDING TAX ABATEMENT PROGRAM LAUNCHES IN WEBSTER, TEXAS

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AIMS OF THE EDRP Through the EDRP Program, IEDC is taking its mission to a new level, assisting practitioners to successfully compete in the global economy and increase prosperity for communities at an accelerated pace, empowering ED professionals to better define their vision and voice.

METHODS AND BENEFITS OF THE EDRP PROGRAM The Partners meet 4 times a year, sometimes with experts in the field, to coordinate activities and focus agendas on pertinent and practical issues. This innovative program provides an incredible opportunity to strengthen the communities in which we operate and the profession as a whole.

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While the phrase "going green" appears with increasing frequency in publications, seminar titles, and even restaurant menus, the impetus to reduce the "human footprint" is nothing short of revolutionary. Many factors have contributed to a philosophical shift that champions preserving natural resources, mitigating pollution, recycling, generating alternative energy sources, and manufacturing and consuming more efficiently and intelligently. From global recession to global warming and myriad issues in between, like rising energy costs, escalating pollution levels, alarming obesity rates, problematic landfills, and the destruction of some species, "going green" carries important ramifications – even for a small, American city that encompasses just 6.7 square miles.

As entities all over the globe seek methods to build sustainable communities – those that are both environmentally and business friendly – the City of Webster, Texas, literally struck "gold" with its novel, yet simplistic, Green Commercial Building Tax Abatement Program, which received the International Economic Development Council's 2009 Excellence in Economic Development Award for Sustainable and Green Development. In partnership with Harris County, Webster adopted guidelines and criteria designed to foster new LEED-certified (Leadership in Energy and Environmental Design) commercial development that enables eligible projects to reap economic benefits of both Harris County's and Webster's programs.



Webster goes green at 251 and 253 Medical Center Boulevard.

Webster's first program recipient constructed a Gold LEED-Certified \$11M facility that serves as an international model for sustainability and design innovation, attracted a growing biomedical company with a workforce of 150, and contributed to the conservation of energy and natural resources – Webster's green program is "gold" and easily replicable or expandable.

Webster's green program encourages, recognizes, and rewards the development of new commercial buildings that aspire to LEED standards, which cover six major areas that include sustainability, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation and design process. In the United States, since buildings constitute the largest emitter of carbon dioxide, more than transportation or energy, the movement to shrink the carbon

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Cities both large and small can readily implement an initiative that encourages and rewards green development without "breaking the bank" or impacting the general fund. A green building program can project the city's cutting-edge, environmentally-savvy, developer-friendly mentality to business prospects and the media. As entities all over the globe seek methods to build sustainable communities – those that are both environmentally and economically sound – the City of Webster, Texas, literally struck "gold" with its novel, yet simplistic, Green Commercial Building Tax Abatement Program, which received the International Economic Development Council's 2009 Excellence in Economic Development Award for Sustainable and Green Development.

footprint of major cities and metropolitan areas through green building practices is significant. (While statistics for emissions from buildings in America vary from 37% (Garry Peterson, Building Transformation: CO2 Emissions and Change at Resilience Science, November 14, 2007) to 48% (John Laumer, Buildings Account for Half of All CO2 Emissions, TreeHugger, May 5, 2006), clearly, this sector is the largest source of greenhouse gas emissions and energy consumption, world-wide.)

FIRST PROGRAM RECIPIENT

The City of Webster, located midway between downtown Houston and Galveston, is considered the central business district of the Clear Lake area with its medical center, aerospace sector, and retail and entertainment venues. While the municipality is home to 9,000 residents, it is the haven for more than 2,500 businesses.

Webster exhibited its progressive, green side in September 2008, when the municipality adopted the Green Commercial Building Tax Abatement Program and authorized an agreement for the first program recipient – Jacob White Construction's 253 Medical Center Boulevard facility. Jeff Mickler, president and CEO, Jacob White Construction, had already completed an award-winning Gold LEED-certified 48,000-square-foot medical office building in the city at 251 Medical Center Boulevard and had requested Webster's support in the form of a green program before embarking on the twin facility – 253 Medical Center Boulevard. It was this request from the developer that served as the catalyst for creating the city's program.

As 251 Medical Center Boulevard serves as an international model for sustainability and innovation in that this facility won Houston Business Journal's prestigious 2008 Green Project Landmark of the Year Award and Texas Rain Catcher's Award for the building's rainwater and harvesting systems (and features the largest "living" roof in the State of Texas), Webster City Council understood and appreciated the ramifications of sustainable, green development. Further, it was acknowledged that 253 Medical Center Boulevard would be home to a new



Aerial view of 251 Medical Center Boulevard, featuring the largest living roof in the State of Texas.

251 & 253 MEDICAL CENTER BLVD.

251 Medical Center Boulevard

- Green Landmark of the Year for 2008 – *Houston Business Journal*
- Texas Rain Catcher Award in 2007 – Texas Water Development Board

253 Medical Center Boulevard – Home to IDEV Technologies

- Webster's inaugural recipient for the Green Commercial Building Tax Abatement Program

Each facility encompasses 48,000 square feet and features

- The largest living roof in Texas – nine inches of soil with plants that trap rainwater and reduce heat load
- Underground storage cistern for recycling rainwater
- High efficiency skin with heat-reflective glazing system
- Up to 50% lower operating and utility costs

company, IDEV Technologies – resulting in 150 high-skilled jobs and more than \$11M in new investment (\$8M for the 48,000-square-foot Gold-LEED facility and \$3M in equipment).

HOW THE PROGRAM WORKS

Webster's Green Program is designed to foster and reward new green development effortlessly and speedily through a ten-year ad valorem tax abatement incentive. The entire process from application to implementation takes approximately one month and is handled by the city's Economic Development Department and City Council, which, ultimately, authorizes the tax abatement.

An investor/developer who seeks to build a new LEED-certified commercial facility completes a two-page application that is contained within the city's Guidelines and Criteria for Granting Green Commercial Building Tax Abatement in a Reinvestment Zone. The applicant must be registered with the U.S. Green Building Council and demonstrate that the project will attain one of the four levels of LEED certification with accompanying minimum investment. Given the rationale that building to LEED standards costs more than traditional construction, as well as the principle that escalating LEED levels result in higher project costs, a formula is devised to calculate minimum investment requirements based on the extra cost of attaining Basic, Silver, Gold, or Platinum Certification.

For a proposed, new facility to qualify for the tax abatement, the minimum value of increase attributable to achieving LEED certification must be at least \$100,000, which translates into a minimum total investment of \$10M for Basic Certification; \$4M for Silver

Certification; \$2M for Gold Certification; and \$1M for Platinum Certification. These calculations for the LEED-related increment are based on LEED certification levels and accompanying formulas:

Basic Certification has a LEED-related value increment of 1%.

Silver Certification has a LEED-related value increment of 2.5%.

Gold Certification has a LEED-related value increment of 5%.

Platinum Certification has a LEED-related value increment of 10%.

(Example: An applicant proposes to build a LEED-Certified Gold office building that will cost \$8 M. The imputed or assigned LEED-related value for this construction is 5% or \$400,000. The LEED-related value increments were determined to be the added cost to attain specified levels of LEED certification. In this example, since the LEED-related value increment exceeds the minimum of \$100,000, as delineated in the city's Guidelines and Criteria, the project can be submitted for City Council's deliberation.)

Once authorized by City Council through an ordinance establishing a reinvestment zone for the project, the ten-year green building tax abatement becomes effective in the year that the application is approved. The actual tax reduction, however, begins once the construction of the facility is completed, LEED certification is obtained, and the property appears on the tax roll. Under Webster's program, the approved property receives an exemption from ad valorem taxes on \$5,000 of the taxable value of the eligible property. (This amount – \$5,000 – is set by the city in the program guidelines.) All taxable value in excess of \$5,000 is taxed at the city's current tax rate. Property eligible for abatement includes the value of buildings, structures, fixed machin-

ery and equipment, site improvements, and office space and related fixed improvements necessary to the operation and administration of the facility.

Not only is Webster's Green Commercial Building Tax Abatement Program simplistic for both the applicant and the city but also the process to approve and implement a project is equally straightforward and rapid. The entire program, of which the two-page application is a component, consists of six pages. The first two pages contain the resolution describing the rationale for the program; the subsequent two pages delineate the rules for the program, and the final two pages contain the application.



Developer Jeff Mickler, Jacob White Construction, and Dr. Betsy Giusto, Economic Development Director, City of Webster, on the living roof of 251 Medical Center Boulevard.

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WEBSTER GOES GREEN

By the Numbers –

- 2 months: Time period from inception to implementation of program
- 6 pages: Program guidelines, including application
- 10 years: Duration of tax abatement incentive
- 1,000,000: Minimum dollar investment, varies by LEED-Certification level sought

By the Benefit –

- Fosters new green development
- Expands easily to other projects
- Cultivates positive media coverage
- Champions business development, corporate responsibility, and sustainability

CREATION AND IMPLEMENTATION OF THE PROGRAM

In response to a developer's request to formulate a green building incentive program, Webster's Green Commercial Building Tax Abatement Program was created by the city's Economic Development Department team who worked with a representative from Harris County. While Webster's program was unique, it had to meet the County's criteria for qualified projects, as well.

From start to finish, Webster's program was implemented in two months. First, City Council adopted a resolution establishing guidelines governing green commercial building tax abatement agreements by the city, based on the principles that new green buildings are desired; the LEED rating system is worthy; green buildings cost more to construct than non-green edifices; and a ten-year tax abatement stimulates new, green commer-



Workers begin to spread the nine inches of soil used on the roof of 251 Medical Center Boulevard.

cial development. Second, City Council adopted an ordinance (requiring two readings) designating a reinvestment zone for the first applicant's project and, thereby, granting a tax abatement for ten years.

COST TO FUND PROGRAM AND PARTNERSHIP POWER

Ostensibly, Webster's Green Commercial Tax Abatement Program is minimal. Qualified green commercial projects receive a nominal tax abatement, based on the fact that Webster's ad valorem tax rate is so low--\$0.20 per \$100 valuation. Since the municipality offers a built-in incentive to investors with this low tax rate, the project's taxable value that is exempted for abatement is capped at \$5,000. What is priceless about Webster's program, however, is the media acclaim and recognition that the city, developer, and tenants derive from their commitment and participation.

Webster's first project costs the city about \$10.00 annually for ten years. What Webster's program accomplishes, however, is to enable approved projects to reap the greater benefits from Harris County's program, whose tax rate is over three times the rate of Webster's. While Webster's program is nominal, it serves as a prerequisite for Harris County's more significant tax abatement program.

Of import is the fact that Webster will encounter no financial burden in authorizing agreements with virtually every, new eligible project. Further, through this program, Webster avails itself of the opportunity to partner with Harris County – the most densely populated county in Texas – in a mutually beneficial manner. Webster's program recipients will, more than likely, become Harris County's program winners, and both entities enjoy the rewards of stimulating new, green commercial development.

UNLIMITED CAPACITY TO EXPAND AND TAILOR PROGRAM

Webster's program can easily be amended and expanded by entities to suit their objectives. For example, the financial incentive could be much greater if the exemption from ad valorem taxes were not capped or if the exemption were capped at a much higher value than \$5,000. In like manner, Webster's program and Harris County's program provide a ten-year tax abatement; however, the length and scope of the program could be expanded or contracted.

Just as the financial incentive can be readily tailored, the entire scope of eligible projects, too, could be augmented to include renovated or redeveloped facilities, non-commercial buildings, and more comprehensive "green zones" that prescribe entire corridors, retail and entertainment centers, parks, landscaping, streetscaping, and other environmental or architectural components. The opportunity for entities to design a unique program that is customized to suit their objectives and budgetary requirements is virtually unbounded, highly appealing, and extremely beneficial.

ECONOMIC IMPACT OF GREEN COMMERCIAL BUILDING TAX ABATEMENT PROGRAM

Webster's program, adopted in September 2008, has produced direct and indirect results. First and foremost, the program has resulted in business recruitment. IDEV Technologies is an innovator and developer of next generation medical devices for use in interventional radiology, gastroenterology, vascular surgery, and cardiology, representing a \$5 billion market opportunity. IDEV wanted to grow its company in a high-performance green facility inside a city that understood the significant

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health and environmental benefits of fostering green, sustainable development. Next, this program has amplified the city's ad valorem tax base, as the initial capital investment by the developer and company is \$11 million. Additionally, the green program has brought 150 high-skilled, high-salaried jobs to the city. As this new workforce dines, shops, conducts business, and utilizes the medical center in Webster, sales tax and business climate are positively impacted. Since IDEV Technologies is a world-wide company, international representatives from medical sectors visit IDEV's headquarters, stay in Webster's hotels, and generate revenue for the city.

Finally, Webster's program will serve as a catalyst in fostering more green commercial development, as a campus-style office complex and a medical office facility are in the pipeline. Although the 253 Medical Center Boulevard facility is the first program recipient, Webster expects many more projects.

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SOURCE OF EXCELLENT MEDIA AND PUBLIC RELATIONS EXPOSURE

"Webster Goes Green" serves as an invaluable economic development tool, as well as an excellent public relations initiative. From coverage in local and regional newspapers and trade publications to business recruitment, a program – such as this – disseminates a very positive, progressive message about the city. As the green movement has emerged as one of society's most supported endeavors, it follows that a program that encourages and rewards the development of new, commercial green facilities will be embraced.

When a program can champion both green development and business development, there is no question about its success. In Webster's case, this is an initiative that will be cultivated and expanded, as the most desirable projects from the viewpoint of many – the developers, the businesses, the workforce, and the clientele – are green. 



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