



Sustainable Development Trends in Multi-Family Development

Matt Thrasher • published in the May 2017 issue

As innovation spurs trends of sustainability in all aspects of life, many commercial real estate developers are embracing the opportunity to weave themes of sustainability into new and existing projects. What began as a popular movement to encourage recycling has morphed into a school of thought centered around the idea that being connected to our environments enables us to be better stewards of them. We have seen practical applications of this idea in the auto industry, home goods retail market, organic food and numerous other sections of our economy. Real estate owners and developers are also finding unique ways to encourage sustainability in their projects, while adding real value to their properties.

However, multi-family has been the beneficiary of arguably the most successful sustainability practices, both in rehabilitation and development projects. The addition of solar paneling and tankless water systems are attractive to tenants responsible for their own utilities, and owners of master-metered properties enjoy the significant reduction in utility cost. Sustainable practices also have the added benefit of enhancing the overall community atmosphere with things like shared rooftop gardens and green spaces. These simple cost-saving measures can be applied to any size property and often come with added tax rebate incentives for owners, depending on location.

Offering amenities that cater to the eco-conscious is no small task when your product (developed land and buildings) inherently involves changes to the natural environment. For existing multi-family developments, outdated construction practices, lack of green space, and inefficient fixtures and appliances can make sustainability a challenge. Choosing how to address these issues becomes even more of a challenge when attempting to weigh what real value, if any, sustainability improvements will have for both owners and tenants. Brandon Lo Porto, a principal with SB Pacific Group, has acquired three multi-family developments in Tucson since 2014. For Mr. Lo Porto, the challenge in improving these older projects is finding economic yet sustainable amenities that entice renters who “want the new development feel without the premiums associated with new development rents.” To that end, SB Pacific Group has added cost-effective and appealing features such as landscaped pet areas, Wi-Fi throughout the complex, new low-flow bathroom fixtures and energy efficient appliances. The result has been attracting a broader base of renters, at higher rents, with features that improve the appeal and economics of the project.

New multi-family projects face a similar balancing act between adopting modern sustainability practices and materials, while keeping the overall economics of the project inline. NexMetro Communities, the developer of the Avilla Luxury Rental brand in Phoenix, has struck this balance in part by maximizing the tax, rebate and other incentives available to developers of “green” projects. Brian Rosenbaum, a Vice President with NexMetro Communities says that “NexMetro incorporates energy-efficient features and technology including HVAC systems that exceed U.S. Department of Energy Standards, Wi-Fi enabled thermostats, and low-consumption appliances.” According to Mr. Rosenbaum, the addition of these relatively low-cost features can result in incentives and rebates in excess of \$100,000 per development. Art Wadlund with Berkadia says that similar techniques were used in his development of the One East and One West Broadway apartments in downtown Tucson. “One East Broadway is LEED Certified,” says Mr. Wadlund, and One West Broadway incorporates many of the same design features such as unit-by-unit insulation, Wi-Fi enabled thermostats, low-flow bathroom fixtures, and highly-insulated windows and doors.

For commercial real estate in walkable, centrally located areas, choosing to forego traditional parking structures in lieu of green spaces, rideshare pick-ups and bicycle rental stations has proven to be both a cost-saving measure and a marketing incentive. Additionally, in the realm of transportation, the increase in popularity of fully electric vehicles makes installing charging stations increasingly attractive in both retail and office settings. Scott Rathbun with Aerie Development is incorporating many of these features in the new 6-story RendezVous Urban Flats, to be developed on the vacant parcel adjacent to the One South Church tower. Mr. Rathbun says “RendezVous Urban Flats utilizes the embodied energy of the existing concrete foundation, with upper floors constructed from sustainably grown and harvested wood. The highly insulated facade combined with the high performance Low-E glazing provides an extremely energy efficient building envelope; and the low water usage landscape design virtually eliminates the need for landscape irrigation.” In addition, Mr. Rathbun’s vision for RendezVous includes a newly developed green space with water feature that will be shared by tenants of RendezVous and One South Church, and will further enhance the appeal of downtown Tucson for residents and visitors alike.

For developers of real estate, in the minds of consumers, sustainability is synonymous with terms like “walkability” and “connected community.” Whether residential, retail, office, or even hospitality, proximity to key amenities within walking distance has become a major factor in site selection as consumers again embrace the more traditional neighborhood design, seeking to “be close to everything.” Higher upfront costs for more prime land location and following sustainable building practices can be mitigated by the exclusivity and subsequent increased revenues consumers are willing to literally “buy in to.” As technological innovation continues across the supply chain in commercial real estate, from raw materials to connecting spaces in the new “internet-of-things,” developers and owners will continue to be presented with unique opportunities to add value to their properties. The convergence of these technological advances with the now solidified shift in consumer desires, make this the perfect time to capitalize on and implement themes of sustainability in your next project.

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