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COMMERCIAL REAL ESTATE

Manhattan's Second-Tier Office Buildings Make Energy Efficiency a Goal



Berndt Perl of APF Properties, which replaced hinged doors in the lobby of 28 West 44th Street with a revolving door, so less heat escapes. CreditChang W. Lee/The New York Times

Class B office buildings are known for being old, no-frills and off the beaten path. What they are usually not associated with is energy efficiency.

That may be changing. In the last few years, a handful of those buildings in New York, in Hudson Square, the garment district and Times Square, have taken steps to shrink their carbon footprints, as their fancier Class A counterparts have done for years.

While landlords of Class B buildings find it difficult to recoup what they spend on green features from their tenants, energy savings can be significant, analysts say. And with mounting pressure from city officials on landlords to make their buildings more energy efficient — under the threat of possible punishment if they do not — similar properties are expected to do the same soon, analysts add.

“It took a long time for the market to shift, but it’s happening,” said Dana Schneider, an energy specialist and a senior vice president with the Jones Lang LaSalle commercial brokerage.

APF Properties, a New York-based firm focused on Class B buildings, recently completed the bulk of an eco-friendly makeover of 28 West 44th Street, a 22-story, 370,000-square-foot prewar building it owns with Prudential Real Estate Investors.



A green tenant outdoor space on the roof of 28 West 44th Street.

Credit Chang W. Lee/The New York Times

Many of the improvements to the 1919 building, which for decades housed The New Yorker magazine near Fifth Avenue in Midtown, have received approval from multiple agencies.

Putting in low-flow toilets, for instance, has helped the building, which is also known as the Club Row Building, cut water use by 25 percent, according to APF. Motion sensors were added to tenant spaces so lights shut off automatically. Those measures have helped the building receive high scores from the Energy Star program, which monitors utility use and is overseen by the Environmental Protection Agency.

Also, this summer, 28 West 44th Street received a rare gold-level rating from the Leadership in Energy and Environmental Design program, or LEED, which is run by the U.S. Green Building Council.

A point-based system that mainly ranks various green retrofits, LEED liked that the building had replaced fluorescent bulbs with versions that consume less power. The gold rating, which is LEED's second-highest behind the platinum rating and was made in the full-building category, was also based on APF's turning a storage area in the lobby into a bicycle room, which contained 10 bikes on a recent afternoon.

That custodial crews use nontoxic cleaning solvents when mopping the floors helped. Recycled paper products also counted, as did the Energy Star plaudits.

Some critics say LEED ratings overstate green bona fides by assigning too many points for access to public transportation; that overweighting is especially problematic in [Manhattan](#), they add, because so many buildings are close to subways anyway.

The fact that most tenants commute to 28 West 44th Street without driving partly accounted for 16 out of 110 points.

Berndt Perl, an APF managing member, has made other moves that were not required by LEED, but are likely to lower energy use, like replacing hinged doors in the lobby with a revolving door, so less heat escapes.

Still, Class B buildings receiving any of the four LEED ratings, certified, silver, gold or platinum, number about a half-dozen in the city compared with about 80 Class A buildings with some type of LEED ranking, according to the Building Council.

Class B offices that are gold are a slightly more select group. They include 1440 Broadway, a 25-story Midtown building that received the award in 2013; 498 Seventh Avenue, a brick high-rise at West 37th Street in the garment district; and 345 Hudson Street, a former printing plant in Hudson Square owned by Trinity Real Estate. No Class B's have platinum status.

Although there is no official distinction, Class A offices tend to be well designed on major streets with full services. Class B buildings are generally on side streets with fewer services, smaller tenants and declining rents

Landlords have not always had strong financial incentives for green renovations, analysts say. Mr. Perl, who bought 28 West 44th Street from SL Green Realty Corporation in 2011 for \$161 million, said he had spent \$9 million on renovations, \$1.5 million of it for environmental upgrades.

Asking rents in that building, whose tenants include the City University of New York, have averaged about \$55 a square foot, he said.

"Right now the kind of tenants we attract, small- and medium-sized, don't really care about paying more for LEED," said Mr. Perl. He has solar panels at his home in [the Hamptons](#) and uses [solar power](#) to heat his pool. "We do this because we believe it makes the world a better place," he said.

In more prominent Class A properties, rents can reflect a premium, up to 15 percent, according to Ms. Schneider of Jones Lang LaSalle, who has been

instrumental in the renovation of the [Empire State Building](#). About a fifth of its \$550 million has gone to green improvements, like insulating 6,514 windows.

“A lot of times people think that it’s hard to make these old buildings green, but they actually have the capability of being much more efficient than newer buildings” with large windows that may leak more heat, she said.

Renovating offices does pose some singular problems. Ripping down walls can expose contaminants like lead and asbestos, said Richard Paradis, a director of the National Institute of Building Sciences, a nonprofit group that focuses on retrofit projects.

And, removing ceiling panels to let in more daylight, another common goal, can result in rooms that are noisy, he said. “It’s all a balance,” Mr. Paradis said.

Next year, the city will issue new standards for buildings to help them cut their emissions by 80 percent by 2050.

The standards, which will be written by more than a dozen people from the real estate industry, including developers, engineers and architects, will function like a road map. Landlords will be given a set of phased goals, tailored to certain types of buildings, which will allow them to arrive at the 80 percent goal.

Part of a push by Mayor Bill de Blasio to curb fossil fuel use, the plan seems to have more teeth than previous efforts, because the goals will be mandatory.

And, the city will enforce them, possibly through the Department of Buildings, according to Daniel Zarrilli, director of the Mayor’s Office of Recovery and Resiliency, which was formed this year. But Mr. Zarrilli added that it is much too soon to know if enforcement would include fines.

Building Department violations can lead to fines.

Acknowledging the cost of such renovations, including for Class B landlords who may have less capital than their Class A counterparts, the mayor will also start programs like Retrofit Accelerator, which will offer technical assistance and advice on where to find financing.

“We need to see the whole sector achieve these kinds of reductions,” Mr. Zarrilli said. “This is a moral imperative.”