

Competing for private investment in the Washington, DC Metro Area

Competition for private investment is fierce between Washington, DC, Northern Virginia and Suburban Maryland jurisdictions in the Washington, DC Metro Area. Proximity to the federal government and key transportation corridors as well as business friendly tax rates and hefty incentive packages are key determinants in business decisions to relocate. Virginia, with low tax rates, significant incentives and convenient locations, is seen as the goliath in this public battle, having lured the likes of Hilton Worldwide, defense contractor SAIC and the Ignite Institute for Individualized Health Bio-Tech Research Campus, all in 2009. Incentives provided for these deals ranged from \$1 million to \$3 million from the Governor's Discretionary Fund (awarded to localities on a local matching basis) and \$2.6 million to \$7 million in performance-based grants dependent on job creation. In return for its investment, Virginia will receive a projected 2,000 new jobs, an increased tax base and an expanded capacity for future business growth and job creation.

The District, which has historically been less aggressive in its efforts to attract companies, has demonstrated successes with the proposed relocation of Radio One's headquarters from Prince George's County in 2008 (recently abandoned due to continuous delays in groundbreaking) and the recent headquarters relocation of CoStar from Bethesda, MD. For the Radio One deal, the District approved \$22 million in tax increment financing (TIF) and various grants and for CoStar the District has approved \$6.1 million in tax breaks over ten years.

The latest target for Metro DC economic development officials is defense contractor Northrop Grumman Corporation, which announced its intentions to relocate its corporate headquarters from Los Angeles to the DC area by 2011 in January of this year. With this move, Northrop seeks to capitalize on synergies gained from greater proximity to the federal government. The District and Northern Virginia offer easy access to two of its largest clients, the CIA and the Pentagon, while suburban Maryland is home to the National Security Agency at Fort Meade and offers significant Base Realignment and Closure (BRAC) related projects. The District, Montgomery County, MD and Fairfax County, VA are busy constructing incentive packages, which are not



Save the Date

2010 Public Sector Survey Results Webinar

Thursday, April 22

1pm EST/12pm CST/10am PST

Join Jones Lang LaSalle's government real property experts as we share the results of the 2010 Public Sector Survey and discuss how federal, state and municipal agencies are overcoming the challenges of operating efficiently in the current environment of limited resources.

Invitation and registration details to follow.

yet finalized. Virginia has engaged its governor and both Montgomery and Fairfax Counties have sent representatives to meet with Northrop leadership in California.

Jones Lang LaSalle has relationships with many private firms and our professionals possess intimate knowledge of the operational goals and site selection criteria that serve as the impetus of key move decisions. We are knowledgeable of nation-wide best practices employed by successful jurisdictions and are available to provide advisory services for municipalities seeking to develop targeted and effective economic development strategies.

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Public Sector drives energy efficiency initiatives

Although government entities are often seen as lagging private-sector businesses in adopting best practices and efficiency strategies, sometimes the reverse is true. In the area of energy and sustainability, for instance, government entities are not only leading by example, but are passing regulations and legislation that make it easier for private-sector owners to reduce energy use and enhance workplace well-being.

The central role of government in driving sustainability might seem doubtful to anyone following the winding path of Congressional progress toward energy and climate legislation. Several significant bills have been introduced over the past year, and one-- the *American Clean Energy and Security Act of 2009* (also known as the Waxman-Markey Bill)—passed the U.S. House before stalling in the Senate. Advocates for strong energy policy now say that no legislation with a cap-and-trade system for carbon emissions is likely in the near term. In March, there was more optimism about a “cap-and-dividend” system that would be easier on businesses, but the consensus is that no bill will be passed after June this year due to the focus on mid-term elections.

That does not mean the federal government is inactive on energy efficiency. The General Services Administration's efforts in sustainable building design and operations go back to the 1970s, and have accelerated over the past five years as the Public Buildings Service has sought to implement the 2005 and 2007 energy bills and more recently, President Obama's October 2009 Executive Order on the Environment, Sustainability, and Energy Conservation.

The Executive Order required each Federal agency to submit a 2020 GHG pollution reduction target from its estimated 2008 baseline to the White House Council on Environmental Quality and to the Director of the Office of Management and Budget by January 4, 2010. Some 35 Federal agencies reported their carbon footprint and reduction goals. With this information, President Obama on January 29 announced a Federal Government goal to reduce greenhouse gas (GHG) emissions by 28 percent by 2020. A month later, GSA strengthened its commitment to energy efficiency by moving the Office of Federal High-Performance Green Buildings from PBS to the Office of Government-Wide Policy, shifting responsibility for carbon reductions from the building sectors to the agencies themselves.

As the single largest energy consumer in the U.S. economy, the Federal Government spent more than \$24.5 billion on electricity and fuel in 2008 alone. Achieving the Federal GHG emission reduction target will reduce Federal energy use by the equivalent of 646 trillion BTUs, saving \$8 billion to \$11 billion in energy costs through 2020 and considerably more thereafter.

Green building requirements

The Federal government also serves as a catalyst for market transformation via GSA's new green building standards. For the past five years, GSA has a preference for occupying green buildings, such as those with a Leadership in Energy and Environmental Design (LEED®) or equivalent certification; however, few buildings have met this standard until recently. Even now, most large cities have very few, if any, LEED certified office buildings that can accommodate the GSA's needs. In order to continue to move forward on its commitment, GSA's new requirements include:

- Task lighting that uses super-efficient light bulbs
- All GSA new construction projects and substantial renovations must achieve LEED Silver certification, with projects encouraged to achieve LEED Gold
- LEED-NC Silver is required for all lease construction and major lease renovation projects of 10,000 rentable square feet and greater when the government is the sole occupant of the building, with certain exceptions such as ground-floor retail space
- For the lease of private-sector office space for GSA client-agency use, the LEED for Commercial Interiors (LEED-CI) “green lease” can be used when specifically requested by a customer agency

State and city mandates

Below the Federal level, policies requiring that new construction meet LEED or equivalent criteria are now in place in 202 cities and counties across 34 states. Although a few of these laws apply to private-sector buildings—in cities such as Los Angeles, Boston and Washington DC—most mandates still are limited to public sector buildings.

The pace of new LEED-based policies peaked in 2007, although some mandates have been added in the past two years despite the overall slowdown in new construction. An initiative that saw more growth at the state and local level in 2009 involved existing buildings. To date, New York City, Washington, DC, Seattle and Austin have introduced requirements that owners of existing buildings benchmark and disclose their energy performance. Similar moves are under consideration in San Francisco and Portland. At the state level, California and Washington have enacted existing building energy regulations, and legislation has been introduced in Oregon. Energy rating and disclosure mandates typically include not only multi-tenant properties but also owner-occupied facilities.

Ratings for buildings are generally assessed using the Environmental Protection Agency's ENERGY STAR Portfolio Manager program, which has seen tremendous growth in adoption from the private sector over the past three years. Although the requirements require an increased reporting effort, they should lead to greater efficiency by making owner-occupants aware of the relative performance of their assets; and by improving transparency.

In this area too, the Federal Government has taken a strong leadership position. The American Recovery and Reinvestment Act of 2009 earmarked \$4.5 billion to convert GSA facilities to High-Performance Green Buildings that minimize energy use, while ensuring that all GSA leased space is in buildings that have earned the ENERGY STAR label.

Anticipating the public sector-driven increase in market demand in this arena, Jones Lang LaSalle has dramatically ramped up our capabilities in energy and sustainability. We achieved a goal to employ more than 500 LEED accredited individuals in mid-2009, six months earlier than planned, and have twice been named ENERGY STAR Partner of the Year for our leadership in adopting energy performance benchmarking as a nationwide practice. To complement these industry standard tools, we have developed our own award-winning Portfolio Energy and Environmental Reporting System (PEERS) and recently introduced our new Green Lease Portfolio Optimization system for achieving a balance of energy and sustainability with cost and other considerations when making leasing decisions.

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