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# FULL COMMITTEE HEARING ON SMALL SMALL BUSINESSES AT THE FOREFRONT OF THE GREEN REVOLUTION: WHAT MORE NEEDS TO BE DONE TO KEEP THEM HERE?

COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF
REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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# FULL COMMITTEE HEARING ON SMALL SMALL BUSINESS AT THE FOREFRONT OF THE GREEN REVOLUTION: WHAT MORE NEEDS TO BE DONE TO KEEP THEM HERE?

**WEDNESDAY, JULY 11, 2007**

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
*Washington, DC.*

The Committee met, pursuant to call, at 10:06 a.m., in Room 2360 Rayburn House Office Building, Hon. Nydia Velázquez [Chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Cuellar, Braley, Chabot, Akin, Gohmert and Heller.

## OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ

ChairwomanVELÁZQUEZ. Good morning. I now call this hearing to order, entitled Small Businesses at the Forefront of the Green Revolution: What More Needs to Be Done to Keep Them Here?

Since the beginning of the 110th Congress, this Committee has considered a variety of energy-related issues. Whether it be renewable fuels, production or installation of equipment to improve energy efficiency, small businesses are making our world better, and building green is no exception. Today's hearing will explore further just how small businesses are playing a critical role in improving conservation and energy efficiency while expanding the so-called green economy.

Entrepreneurs are leading the effort to combat global climate change by taking steps to reduce energy consumption. One of the major developments over the last decade has been the profound growth of building green. Green buildings are environmentally responsible, economically viable and healthier places to work and live. It started out as a novel concept that seemed to be out of reach for many. Now firms across the country are looking for ways to incorporate these practices and achieve certification. Due to this growth, it will soon become the norm to have an energy-efficient and environmentally sensitive building or home.

As installers of solar panels, inventors of bio-based products or the architects who create the designs, small businesses are responsible for much of the rapid growth in green homes and buildings. The National Association of Home Builders, who have representatives here today, reported a 20 percent jump last year in home builders focused on environmentally responsible construction. It is

estimated that some 50 percent of all builders will produce at least some homes using green methods by the year 2010.

Our first panel shows how the government can play an effective way in encouraging further innovation in green infrastructure. These mayors have been at the forefront and have put in place policies that have allowed small firms to flourish in their communities while protecting the environment. They have provided educational tools, financial incentives and an overall structure that makes a green small business economically viable. I look forward to their insights on these successful programs and how the Federal Government may be able to provide similar assistance.

This Congress has already started taking steps to ensure not only are we creating domestic supplies of clean energy, but that the Federal Government can reduce overall consumption. The Small Business Committee has passed four pieces of legislation that provide education, financing and resources on energy efficiency and production. I look forward to hearing about what policies have been successful and if there are additional reforms needed to ensure future growth.

I appreciate both mayors for coming here today, and I am really very grateful for the insights that you will be providing to this Committee. And now I yield to the Ranking Member Mr. Chabot for his opening statement.

**OPENING STATEMENT OF MR. CHABOT**

Mr.CHABOT. Thank you very much, Madam Chair, and I want to welcome everyone here and wish you a good morning for being here as we examine how small businesses are leading the way in the green building industry. I would also like to thank Chairwoman Velázquez for holding this hearing and each of the witnesses for taking the time to provide this Committee with testimony, both the first and the second panel.

I would also like to especially thank Beth McGrew from the University of Cincinnati for making the trip here from Cincinnati, which happens to be in my district.

Constructing and operating buildings requires enormous amounts of energy and raw materials that create large amounts of waste. Where and how they are built affects the ecosystems around us in countless ways. The buildings themselves create new indoor environments that present new environmental problems and challenges. As the environmental impact of buildings becomes more apparent, a growing field called green building, also called sustainable building or high-performance building, is leading the way to reduce that impact at the source.

Several studies have shown this type can improve energy efficiency. For example, recent research conducted on the financial ramifications and benefits of green design and buildings found that the up-front investment of no more than 2 percent typically yielded life cycle savings of over 10 times the original investment. Another study supported reduced annual costs in energy and water by almost $10,000 in a 20,000-square-foot building.

Increased energy efficiency along with developing new domestic sources of energy and ensuring a diverse energy supply is a key component of improving our Nation's energy security. The practice

of green building means making intentional decisions that positively impact energy efficiency, resource conservation and indoor environmental quality throughout the entire design and construction process. The ultimate goals of this thought process is to reduce operating cost by increasing productivity and using less energy and water, improve public and occupant health due to improved indoor air quality and reduced environmental impacts.

Green building is a new and evolving field. Small entrepreneurs and businesses were at the forefront of this industry in the 1970s in response to the energy crisis of that time. Today this commercial enterprise is still evolving and still being driven by small entrepreneurs and businesses. It is well recognized that small business is the engine of innovation and the center for entrepreneurship. This new evolving industry opens up great opportunities for small businesses to be the trailblazers and become its future leaders.

Since today there appears to be a valid business case for green building, we must ensure that taxpayer dollars are put to the best use. Artificially subsidizing the growth of this or any specific industry could cause potential problems in the future. If this type of construction can be cost-effective and environmentally friendly for builders, installers and tenants alike, there should be little need for congressional intervention. The industry will grow organically and grow stronger without government interference.

While many of the goals of green building are worthwhile, I am similarly concerned about the possibility of legislating mandates, intended or otherwise, that could be costly and burdensome to our taxpayers and communities. That said, I do believe Congress and this Committee in particular does have a role to play in reducing impediments to the growth of this industry, especially so that small companies can continue to innovate and produce new technology that will improve the green building process.

We have excellent witnesses here today both on this panel and the following panel to provide us with insight as to how this burgeoning industry is performing and provide suggestions to Congress that will help it continue to grow. I look forward to their testimony, again, both panels. And I want to again thank the Chairwoman for holding this important hearing, and I yield back the balance of my time.

ChairwomanVELÁZQUEZ. Thank you.

ChairwomanVELÁZQUEZ. And now I welcome our first witness, the Honorable Marty Blum. Ms. Blum has served as mayor of Santa Barbara since 2001. Under her leadership the city of Santa Barbara has instated a green building policy that requires new construction and major renovations for city-owned and -operated buildings to achieve LEED silver certification. For her work in helping Santa Barbara become a greener, healthier and more sustainable city, Mayor Blum was nominated as one of five finalists for the U.S. Mayors Climate Protection Award for small cities.

Mayor Blum, welcome, and you will have 5 minutes to make your presentation.

**STATEMENT OF MARTY BLUM, MAYOR, SANTA BARBARA, CALIFORNIA**

Ms.BLUM. Well, thank you, Madam Chairwoman, and I am pleased to be here today to represent the city of Santa Barbara and the U.S. Conference of Mayors. We are working very hard on green building, and what we would like to do is talk about how we encourage small businesses to become more energy-efficient and to explore renewable energy. I want to also share the highlights from a recent U.S. Conference of Mayors survey on climate protection efforts in cities nationwide.

The city of Santa Barbara is focused on helping our community learn to be green at work and at home. We use B20 biodiesel in our whole fleet, including the fire trucks and construction trucks. We purchased hybrid vehicles, and we have a green building policy, as you mentioned.

With the urgency of climate change, we are working with businesses in climate protection. And a few years ago we formed a partnership with Southern California Edison and with a local nonprofit called Community Environmental Council, and we go into businesses and do inventories for them and help them be more energy-efficient.

What we have found, our experience with the small businesses have given us some valuable insight to help them become more energy-efficient. In some ways it is easier for them to change their ways than it would be for a larger business because they don't have the bureaucracy. But on the other hand, many of them are owners who spend their time running the business and don't have time in their busy schedules to deal with energy efficiency. Many of them don't even own their own buildings. So it makes it very hard to invest in air conditioning or light fixtures that they don't own. Many also are marginal businesses. They are just making it month to month, and it is very hard for them to spend the money to become more energy-efficient.

For these reasons, our partnership with Edison and with CEC, with our Community Environmental Council, has been very good because Edison has provided money for installing upgrades for these businesses. But we would like to encourage Federal assistance to businesses to encourage them to purchase Energy Star appliances. That would be helpful, and it would significantly reduce energy demand.

To encourage the use of renewable energy, tax credits also should be renewed for renewable energy installations and maintain a stable level for long term. The uncertainty of changing rebates, going up and down—for example, the solar rebates, some years they are there, some years they are not there. It makes it very hard for small businesses to plan ahead.

In addition to energy efficiency, we have many years of experience assisting small businesses with waste prevention and with water conservation, and we work closely with them to conserve water. And in Santa Barbara, we are in a semiarid situation, and this year has been a big drought year for us. So free water checkups, landscape irrigation evaluations for businesses, and we give them rebates of $350 per fixture if they use low-flow fixtures.

Shifting toward national, nationwide city efforts, nearly 600 mayors—and I believe we are over 600 now—nationwide have joined as signatories to the U.S. Conference of Mayors Climate Protection Agreement, committing to reducing their cities' greenhouse gases by 7 percent below 1990 levels by 2012.

The U.S. Conference of Mayors recently surveyed many of the mayors to learn more about their local energy and climate protection initiatives, and the responses were just released at a meeting in Los Angeles a couple weeks ago. Foremost among these findings for this Committee, the mayors reported that they would expand programs and initiatives to encourage individuals and businesses to change energy practices, to go green in commercial, residential and public buildings, and to promote renewable and other energy sources.

When mayors were asked to describe how they would invest a new Federal block grant assistance program, here is what they said. They cited these things: to retrofit existing buildings, improve their carbon footprint; outreach to business communities to revamp energy-efficiency programs; to develop solar, water and electric programs that provide low-cost financing; and promotion and education to the public and business community.

We know that the Nation's cities not only play a vital role in our national goal of energy efficiency and conservation, energy independence and climate protection, but it has been proven that there are many advantages to community-based solutions. And as such, I want to join my colleague here and underscore our strong support for the enactment of new energy legislation that establishes a new energy efficiency block grant program. It was recently approved by the House Energy and Commerce Committee. And, Madam Chairwoman, I would strongly encourage you and the members of this Committee to join with other House colleagues to ensure the adoption of this important initiative. This is the number one priority for the U.S. Conference of Mayors, and I thank you for this opportunity to address this Committee.

ChairwomanVELÁZQUEZ. Thank you, Mayor Blum.

[The statement of Ms. Blum may be found in the Appendix on page 44.]

ChairwomanVELÁZQUEZ. Our next witness is our own Mayor, Mr. Adrian Fenty. He was elected last year to his first term as Mayor of the District of Columbia. As part of an aggressive 100-day strategy, he included a number of sweeping green initiatives that will make the District more energy-efficient and environmentally friendly.

The city of Washington, D.C., is involved in the construction of the first green Major League Baseball stadium. Prior to serving as Mayor, he was a council member representing the ward number 4. Welcome.

**STATEMENT OF ADRIAN FENTY, MAYOR, WASHINGTON, D.C.; AND WILL WYNN, MAYOR, AUSTIN, TEXAS**

MayorFENTY. Thank you very much, Chairwoman Velázquez, Ranking Member Chabot, members of the Committee. Thank you for inviting us to testify today about the role of municipal govern-

ment and small business in protecting the environment. I am especially pleased that you have invited fellow Mayor Blum to take part in this hearing.

The majority of the United States population now lives in urban and suburban areas, and about half of the Nation's private-sector employees, as you all know, work for small businesses. This is the perfect time to take a look at how cities and small businesses can work together for sustainability. This important work has already begun in the District of Columbia, and I am pleased to be joined somewhere back there by my director of the Department of the Environment George Hawkins.

As the Nation's Capital and an international tourist destination, our city attracts worldwide attention. My vision is of a municipal government that sets an example for other cities not only across the country, but really around the world. Last year we began to set an example when it comes to green buildings here in the Nation's Capital.

Prior to serving as Mayor, as you stated, Madam Chair, I served for 6 years on the council. I joined my council colleagues then in passing an innovative Green Building Act, and my predecessor Anthony Williams signed the bill into law. We became the first city in the United States to require environmentally conscious design and construction not just in government buildings, but in private development as well.

Beginning in 2012, private nonresidential buildings of 50,000 square feet or more must meet LEED-NC 2.2 or LEED-CS 2.0 standards. Our public buildings, including those owned and leased by the District government, will begin to meet these standards earlier and at a higher level. We have made these changes to our building code and will provide incentives in the first year of the program.

The developer of a 50,000-square-foot building usually is not a small business, but small businesses rent space in these buildings. It will be easier for a small business to adopt innovations such as reduced energy consumption, grey water reuse, and increased recycling into its business model if the entire building takes part, making these practices easier and less expensive in the process.

With a little help from municipal governments, small businesses can team up on green initiatives. This spring I joined a group of businesses in the U Street corridor of Washington, D.C., to announce their participation in the Clean Currents Initiative. These 10 businesses, including a bakery, several restaurants and a yoga studio, have formed a green energy-buying group. Together these small local businesses will buy nearly 2 million kilowatt hours of wind energy per year for 3 years. The carbon offset from this purchase is equal to taking 185 cars off the road. By buying their energy together, the group will save at least $21,000 a year.

Our Department of Housing and Community Development funds small business technical assistance for several nonprofit groups in the District of Columbia. One of these nonprofits, the Latino Economic Development Corporation, helped to broker the Clean Currents deal. It is the first collaboration of its kind in the District of Columbia, and I am pleased that my administration was involved in putting it together.

The District government will continue to lead the way by opening what we hope will be the Nation's first LEED-certified baseball stadium, as you mentioned, Madam Chair, in April of 2008. As we embark upon an aggressive school modernization campaign, we are looking for ways to incorporate green building technologies and reduce resource consumption into our classrooms. We hope doing so will begin to bring the cost of these materials and programs down. We also hope green classrooms will help teach the next generation of small business owners about sustainability.

Chairwoman Velázquez, this concludes my prepared remarks, and I would be glad to answer any questions today and to work with you in the future on this important priority. Thank you very much.

ChairwomanVELÁZQUEZ. Thank you, Mayor Fenty.

[The statement of Mayor Fenty may be found in the Appendix on page 48.]

ChairwomanVELÁZQUEZ. I would like to note that Mayor Will Wynn of Austin Texas had planned to be here today. Unfortunately he was unable to fly in last night due to the weather. I ask unanimous consent his statement be entered into the record. Without objection, so be it.

[The statement of Mr. Wynn may be found in the Appendix on page 51.]

ChairwomanVELÁZQUEZ. I would like to address my first question to Mayor Fenty. As the District begins implementing green building standards, there are many small business contractors who may be looking for guidance. What are some of the challenges in getting these businesses up to speed on new requirements, and how will the city work to assist these contractors?

MayorFENTY. Well, that is a great question. On the municipal level, I think there is two impediments; one, just outreach. And we have had to make sure that our Office of Local Business Development is not only in the business of providing more opportunities for small businesses, but they understand the regulatory framework with which they have to operate. So we are charging our Office of Local Business Development to work with our Department of the Environment to get the word out to small businesses, and we do know that will be an enormous task, but we will get it done.

The second thing is funding. I think we have to make sure that there are incentives available, and, to the extent possible, making the opportunity for small businesses to pool together, as we did in the Clean Currents Initiative, I think is a way to allow small businesses to become more environmentally sensitive and green without having to tap into their own profits and too much into the government treasury.

ChairwomanVELÁZQUEZ. Do you believe that more contractors are starting to voluntarily implement LEED standards on private construction products as they become educated about these building techniques?

MayorFENTY. No question about it. I went to a groundbreaking for a property right on the back side of Gallery Place by Akridge Development. It is going to be a silver LEED building, very ad-

vanced. And I think they are doing it, one, because of their own priorities for the city that they do business in, but, two, the Congress and, on the local level, the mayors have been pushing these initiatives. So the more we do, I think it goes to show that it is not just the substance of our work, but setting the example for the private sector.

ChairwomanVELÁZQUEZ. And, Mayor Blum, some have been frustrated with the way the Federal Government has failed to put green initiatives at the forefront. What suggestion would you offer in creating new green policies at the Federal level that can encourage the private sector to implement more environmentally friendly practices?

Ms.BLUM. Sure. It has been a couple years now that the mayors have been working on this. I think it was in 2005 when we first started working on climate change agreement, and we have all taken it back to our cities and worked very hard. So there are a lot of things already in place in various cities all over this country. And it would be good to share the best practices which we are doing at the mayoral level, but it would be useful for you to know what are the best practices going on in the big cities and small cities alike.

The small businesses are a little bit different because we don't have an environmental person or, you know, someone in charge of the buildings. But we can work closely with our builders association, with our contractors, with our AIA, with the architects, and we are doing that, and that makes a big difference.

But you asked what the Federal Government can do to focus on this, and I think you are already doing it, having this hearing. And we are starting to see some real differences coming along in Congress. Hopefully—the energy block grants is something we are really pushing, and hopefully if you make climate change a priority, and you talk about the green buildings and green initiatives all over the country, then you can find some money to appropriate for it, and I know that is difficult. But it depends upon what your priorities are, and if you can show us what your priorities are by showing us the money, that works.

ChairwomanVELÁZQUEZ. Thank you. Thank you. It takes money. We all know that. It is a matter of priorities.

Ms.BLUM. Yes.

ChairwomanVELÁZQUEZ. Mayor Fenty, we know that the celebration of the D.C. Nationals new baseball stadium is to take place later today, and the green stadium is the first major stadium to try an acquired LEED certification. What example does this set for large construction projects throughout the Nation? Can you talk to us about the experience of getting this project done this way?

MayorFENTY. Well, I think it sets a number of different strong precedents; one, that these real public-private projects, like baseball stadiums, that if the public is going to put forth dollars, then they have to be beneficial to the community. And this one is for lots of reasons, including the economic development. But the green initiatives that are going to come out of having a LEED-certified stadium to that area, it is a brownfields area, of course. It has been blighted for years, and we haven't taken care of the area. As this being the anchor for the redevelopment, I think it is going to show

other developers coming in, and we have some great developers working there, that we also want them to create green buildings that are LEED-certified.

I also just want to note, as with a lot of other stadiums across the country, this one is being built on the banks of a river. This is being built on the banks of the Anacostia River here in Washington, D.C., which is historically polluted. And by saying that we are sensitive to the run-off that comes out of this stadium and buildings near it, and the impact it has on the river, I just think that it is a great substantive and symbolic way to show how cities are being revitalized, and hopefully it will be a national model.

ChairwomanVELÁZQUEZ. Can you talk to us if you know or if you are aware of any of the materials being used in the construction of this stadium?

MayorFENTY. You know, that is a great question. I am not as good on the materials. We would be glad to provide that to the Committee.

ChairwomanVELÁZQUEZ. Sure.

MayorFENTY. But I know that one of the great focuses of this project has been to make sure that we reduce the run-off into the Anacostia River and keep everything sustained within the building. But we will get that to the Committee, because again, this is the first of its kind.

ChairwomanVELÁZQUEZ. Thank you.

ChairwomanVELÁZQUEZ. And now I recognize Mr. Chabot.

Mr.CHABOT. Thank you very much, Madam Chair.

Mayor Blum,if I can go to you first. You had expressed support for tax credits concerning renewable energy and making them permanent, and I completely agree with you in that respect. And one of the biggest impediments to economic growth, as you know, can be uncertainty in the Tax Code and not knowing what incentives will be there 2 or 3 or 4 years down the road. And unfortunately it can really put the breaks on development.

Could you again maybe expound upon that idea a little bit? And I would say this goes beyond even this topic today. We have a tendency in the Tax Code in all areas to make things there for a couple of years, and we really, I think, need to make a lot of these tax cuts, whether they be credits or deductions, permanent so people can rely on them in the long term. But specifically with respect to this area that we are discussing today, could you expound upon that a little bit?

Ms.BLUM. Sure. We have found that small businesses, as I said, sometimes are very marginal, and sometimes there are families working together to open a restaurant, and they don't have a lot of extra money, and they don't have a lot of extra time, but what they do have are some hopes for the future. And they can make plans for the future. But sometimes it is not just this year. Sometimes they say, well, in 5 years we would like to whatever, put solar panels on or buy more energy-efficient appliances or whatever it is, but they just don't have the money together right now. But by the time they get it together, the tax credits have changed or the solar credits or whatever it is, and then you wait out another 5 years to hope they come back. And I think it makes it very, very

difficult to run a small business, and I am talking about the real small businesses, when you don't have assurances that government will stay the same, as you say, that they will be the same year after year so that when you finally do pull together the money and make that commitment, you can get some tax credits on it. So I just think it is vital.

Santa Barbara has about twice as many small businesses for its size than other cities because we are a small city, we are 90,000 people, and each one of those small businesses needs some kind of certainty in their taxes, in their—what kind of solar credits they can get, what kind of tax credits they can get. And it is just vital for them to have that.

Mr.CHABOT. Thank you.

You had also mentioned, which I found interesting, that 23 percent of Santa Barbara's electrical energy is currently derived from renewable sources. What are the prospects for that in the future? Is there a way to expand that even more? And what realistically with today's technology could your goals be?

Ms.BLUM. Sure. With our inventory, we were really surprised that we were already at 16 percent. We just had no idea. And I think when people do an inventory of what they are doing, they will find that they are doing a lot more than they even know. Their own departments are trying, and people at the grassroots level are really working on this.

But what really gave us a boost was that instead of the flare-off at the wastewater treatment plant of methane gas, we usually just fired it off into the air, we capped that and put it into a fuel cell. And you had better not ask me any more than that because I don't know. You put it into this magic box, and it comes out electricity, and I think it is wonderful. And then we use that for the plant itself, saving us about $35,000 a year, which doesn't sound like a lot to you, but to us it is huge. And that pushed us up over 20 percent alternative fuels. And we are also capping the methane out at our landfill.

We can see—you asked us about the future. That was without really trying very much, and now we are really working in each of our departments. And I can see us getting up to 50 percent, but not while I am probably alive, but in the next 20 years, 30 years, I can see us getting up there. And it would be wonderful if we could even get to 100 percent. But we are going to need some help on research and development for that.

Mr.CHABOT. Okay. Thank you very much.

Mayor Fenty, could you explain the mechanics of the U Street corridor's buying of wind energy? And basically how does the power generated in wind get sent specifically to these businesses? And one other thing. You had mentioned rainwater being incorporated in the planning for buildings, and how that can be part of the overall plan and being more energy-efficient and utilizing resources which are essentially free. Could you discuss those two aspects, please?

MayorFENTY. Yeah. I will do the best I can. I was even at the press conference on this Clean Currents Initiative, but it is wildly technical. It is my understanding that the 10 businesses together buy energy, and that they buy enough kilowatt energy to last for

3 years, and that the energy is, thus, more efficient than normal, such that it saves the District of Columbia and these businesses the carbon offset amount of about 185 cars. So they pool together, purchase it, they get it for less, savings are about $21,000, and they use it for 3-year periods.

And so that is the extent of my knowledge on it. But we can get you more specifics by working with our Department of the Environment and our local business office.

And then I think your question was about stormwater run-off. Again, along the Anacostia, one of the great pollutants is from the businesses. We have a lot of work to do in making sure that we don't have a combined sewer run-off into the Anacostia. But one of the things that we know is that just literally the run-off from the buildings carries all kinds of pollutants into the Anacostia River.

And, Madam Chair, I actually do have in my notes some of the things that are going to be in the stadium. Note for officials like myself, check your staff notes. This stuff is usually there. There is going to be garages that feature special parking for energy-efficient cars and car pools, water-conserving plumbing fixtures, energy-conserving light fixtures including the field lighting. Construction materials will include a minimum of 10 percent recycled content, and adhesives paints and glues will be low VOC. And then, of course, the intricate stormwater management system, which I suspect is like a lot of the green buildings you see where the water is kept in the building on the roof, and then it helps to cool the building, and then they will find various different ways to actually reduce the water on site.

Mr.CHABOT. Thank you very much, Mr. Mayor.

MayorFENTY. Thank you.

ChairwomanVELÁZQUEZ. Mr. Gohmert.

Mr.GOHMERT. Thank you, Madam Chair. Appreciate the hearing, appreciate you all being here.

And just following up on that and the comments, Mayor Blum, you had made, too, about needing the consistency. I was struck because, you know, bio mass itself has proved to be a valuable source of alternative energy, and people do need that consistency from the Federal Government, and yet just in the last month in Resources Committee we had a law, Federal law, that was going to move forward, provide incentives to utilize bio mass as an alternative energy source. And, of course, it was against my vote, but the Majority passed a bill that would pull that program back and not start the incentives and do what the government seems to do best, and that is do a study for a number of years more to see whether bio mass would be helpful, and then come back and look at the grant. So it really yanked the rug out from a number of communities in my district and others around that couldn't be characterized as Republican or Democrat, just communities, many of them probably majority Democrat. But it sure was a surprise to them. So I guess it shouldn't be a surprise that if there is one entity you know you can always not count on, it is probably the Federal Government, you know, at the times it is most critical.

Veering just a little bit because of a recent issue over—well, it is not a recent issue, it is a long-term issue, Mayor Fenty. But I am curious, with regard to the issues, whether it is green struc-

tures, environmentally friendly structures, I will also come back to the issue. And I filed a bill. I felt like the easiest way without a constitutional amendment to get Washington, D.C., with proper representation not only in the House but in the Senate would do what was done over 150 years ago with land on the other side of the Potomac where it was just ceded back to Virginia. So I consulted some folk. I had not talked to you, but I have filed a bill. I am curious, since I have you here, how you would feel about having land that was not occupied by a Federal building ceded to Maryland and making it a part of Maryland, as was done with the land across the river for Virginia?

MayorFENTY. Well, let me just say that I would be lying if I didn't admit that there are District residents who probably do support such a plan, and there probably are some in Maryland. It is my experience in having lived here for some time and been an elected official now for over 6 years that the majority of residents, both in the District and in Maryland, are—just for no other way to say it—are just set in our ways, as every one of your constituents probably are. You have become accustomed to the jurisdiction being established as it is. And there now is an identity of being in Washington, D.C., that probably would make that difficult for most of our residents and, again, most Maryland residents, I think, to support.

That being said, our administration, and I think most people in Washington, D.C., are very open towards continuing the dialogue. We want to thank Congress for supporting the legislation that is now before the Senate to give Congresswoman Norton a vote on the House floor. We think that is a great step forward, and there are lots of different alternatives we can explore going forward, and we just appreciate the interest in the subject because it will make a big difference on us being able to lead on so many different issues like the environment and small businesses.

Mr.GOHMERT. Well, my big concern was since I agreed with the Democrats that led the charge back in the 1970s that it requires a constitutional amendment, and even if that were to pass the Senate, become law, it would likely be struck down. I was trying to cut to the chase and get you that representation sooner.

MayorFENTY. Thank you.

Mr.GOHMERT. Thank you for your efforts. You are the Mayor of the city that we all have a vested interest in, so we appreciate your work on all of our behalves.

MayorFENTY. Thank you for your support.

ChairwomanVELÁZQUEZ. I have another question for Ms. Blum. You mentioned that one of the challenges to encouraging small businesses to invest in energy-efficient appliances is that many storefront and businesses rent their properties. As such, they may not realize the long-term cost savings. A related program is that businesses who rent do not receive the tax treatment of building owners when it comes to these home improvements. Do you think that if Congress were to offer similar tax treatment for small business renters that this may encourage more to invest in energy-saving technologies?

Ms.BLUM. Thank you for mentioning that because that would make a big difference in our city. We have—58 percent of our resi-

dents are renters, which is huge compared to most cities. I think most cities have about 70 percent ownership. So here we are with that. And then also businesses, I think—and don't hold me to this—but I think it is in the 70 percent of the people who are renting the places where they are having their business. And I think if you could somehow tie it to the businesses instead of to the actual building, it would make a big difference to the small businesses for sure.

ChairwomanVELÁZQUEZ. Mayor Fenty, would you like to comment?

MayorFENTY. No question. I think in the District of Columbia, like our dwellers, the businesses probably just are in staggering numbers in the amount that actually rent. So I think what you would see is you would have a lot more buy-in participation amongst businesses going green, and we would love to be able to—I think establishing some type of pilot for rental businesses, especially very small ones, would go a long way in moving the agenda.

ChairwomanVELÁZQUEZ. Mr. Heller? No questions?

Mr. Cuellar.

Mr.CUELLAR. Thank you. Just a general question. When you look at the endeavor that I think we are all interested in, that is trying to get our cities and our Federal buildings and other office buildings green, we can make efforts. But if you look at the big picture, it is one building here, a couple buildings here. How do we do the mass education of the public, which is, I think, the hardest part of doing it? I mean, how do we get somebody on 6th Street, kind of like where I live, right across from the Eastern Farmers Market, how do you get folks there that are so busy with their daily lives or interested in other things, how do we get them to that point?

I guess that is the hardest thing. We can appropriate certain dollars, or we can say here at the Capitol, under Pelosi, we will start turning green, and we can get several Federal buildings, you can do certain municipal buildings. But how do you get the mass amount of folks to do that? And I guess that is the hardest question that I can think of.

MayorFENTY. Let me just say, Mayor Blum mentioned, I think, how important incentives are. She has been a mayor longer than I have. I can tell you that the Federal dollars that do come down for tax credits and such are really paid attention to by the small business community. We have got a really vibrant one here in the District, represented by the Chamber and the Board of Trade, et cetera. So I have no question that as dollars are appropriated, the businesses will suck them up and use them for environmental priorities.

I would also say that—we had to play with this when we passed the Green Building Act, how much of a stick, how much of a carrot do you use? And I think we came up with a very good compromise. We are not mandating every business to do it no matter what, but enough of a stick that people will pay a little bit more attention. And I think there may be something there on the Federal level there as well. You explore legislation. For some businesses you have got to meet certain standards, and the way to do that is by going green.

Mr.CUELLAR. So the incentives—for example, give me some examples of a stick. Examples of a carrot would be the tax incentives.

MayorFENTY. Exactly.

Mr.CUELLAR. A stick, moderate use of a stick would be what?

MayorFENTY. I think if your building produced a certain amount of run-off or wasted energy, then you would probably then have to—then you would have to pay some type of additional fee or cost to the Federal Government, or if you wanted to do it through the local government. I think those are ways to explore. And again, it is more of a consciousness-raising issue. But once you do it from the bully pulpit, people pay attention.

Ms.BLUM. If I can add, too, one of the incentives we have found helps is that if you are going to use green practices, you can go to the head of the line when you are trying to get your permits. And that is real simple for us. But there is a scramble to get to the head of the line right now because people would rather not have to spend months and months and months; instead, a couple weeks would be much easier on their business. So that is a big incentive for us.

And the other thing is almost anything that we do in local government, we look for a tipping point, because about 75, 80 percent of the people need to be educated or need to start to feel it, whatever it is. And then when you have got them with you, you have got it. And I think the green building, at least in Santa Barbara, is at the tipping point. It is doing very well because our contractors association is all with it so that when you go to hire somebody to put in a window at your home, they are going to talk to you about green building, because then they can go to the front of the line.

So I just think that—we are starting a general plan update where we go out to the community, and we have had four community meetings. I was amazed at how much of the community is talking about green buildings and making things more walkable and livable, and it is very refreshing to know that what you say in speeches actually is starting to come back at us.

Mr.CUELLAR. And if I can just—last point. It is true, I think, now the word has been at least raised to a point, because I come from Texas, and it is a big oil State, but now in Texas we are talking about the alternative fuels. We are looking at green buildings, which is something that years ago we had never heard before—well, we had never really talked about it on a practical basis on that.

Madam Chair, thank you very much. Thank you.

ChairwomanVELÁZQUEZ. Mr. Chabot.

Mr.CHABOT. Yes, I just had a quick question.

Mr. Cuellar kind of raised this in my mind. When we talk about the sticks and the carrots, would you both agree as mayors, and being obviously in charge of, you know, cities and part of the government, et cetera, would you agree that it ought to be our goal to ultimately use as few sticks as necessary and maybe try to use the carrots as much as possible, tax incentives, and ultimately rely upon small businesses and entrepreneurship and common sense to develop technology which makes economic sense so that you are building—the green building occurs because it makes economic sense to do it, because we have advanced beyond the need to use

sticks, you know, against businesses and make them do things. They will want to do them because it makes economic sense to do them. Would that—

Ms.BLUM. We are seeing that right now. When we cut the methane gas off our wastewater treatment center and put it back to the fuel cell, and then we found we were saving $35,000 a year, we had no idea we would be saving that much money. So it was an eye opener. And then we started looking for other things we could do. I think businesses are the same way. If they can save money, if the payback is in—I will say 5 years or less, that is wonderful. Then they will want to do it. Otherwise if the payback is in 30 years, awfully hard to get a small business to do that.

Mr.CHABOT. Mayor Fenty, I think I saw you nodding as well.

MayorFENTY. Absolutely. I think we are in the business of spring economic developments, so we have to keep sticks to a minimum and incentives to a maximum. And I think that this is one of the industries and initiatives where the private sector sees the rewards as benefits, because if you own a big office building, and you make it green, I think your tenants want to come into a building like that.

When we were responding to the Congressman's question, I think there is a role for the government, though, even in just setting standards in a law, because while you don't necessarily have to mandate someone to comply, but the setting of standards itself raises the awareness of this in a macro way that—and I think you then expedite the country going green. So I just wanted to have that on the record, that whatever comes out of Congress I think is paid attention to on the local level more than you may have even known.

Mr.CHABOT. Thank you very much. I yield back.

ChairwomanVELÁZQUEZ. That was a great closing, by the way.

MayorFENTY. Thank you.

ChairwomanVELÁZQUEZ. With that, I want to take this opportunity once again to thank you. I know that you have a busy schedule. You took time to be with us, and for that we are very grateful. This first panel is excused.

MayorFENTY. Thank you.

Ms.BLUM. Thank you.

ChairwomanVELÁZQUEZ. We welcome the second panel to take your seats.

We are going to move with the second panel. Our first witness is Mr. Danny Seo. He is the author of several books that encourage Americans to live green lifestyles by offering eco-friendly home design suggestions. At the age of 12, he founded Earth 2000, which was the country's largest teenage activist charity. Through his books, how-to lifestyle, weekly Sirius satellite radio program and companion TV show, Mr. Seo promotes his widely popular Simply Green lifestyle philosophy.

Mr. Seo, you have 5 minutes to make your presentation. Your entire statement will be entered into the record.

**STATEMENT OF DANNY SEO, ENVIRONMENTAL LIFESTYLE EXPERT, AUTHOR OF SIMPLY GREEN**

Mr.SEO. Thank you. Good morning, Chairman Velázquez and members of the Committee. Thank you so much for having me this morning.

As you mentioned, I am an environmental lifestyle expert. And I am sure you are probably thinking, if I had a nickel for every time I met an environmental lifestyle expert, you would have a nickel. But my company produces media content that gives a how-to content information to millions of Americans.

Through our television programs, books, magazine columns, products and partnerships with both large and small businesses, my personal goal has always been one thing: to show Americans how to live a greener life that is simple, stylish and, most importantly, accessible.

My testimony today will address several points. One, the green revolution is more than just a trend, which is key; number two, how small businesses can compete with major corporations; and three, what needs to be done to help small business in their quest to go green, which I think is probably the most important point.

First I want to talk about the movement. There are two movements going on in consumer tastes and interests. What I believe we are seeing at the consumer marketplace is a major shift; it is a cultural one where consumers are looking for products and service that gives value to their lives, their homes, their families and their community. It is all about quality, not quantity. What we are seeing is what I call the meaningful life. It is if our lives, our homes, our family, community we live in aren't disposable, then the products we use in our everyday lives shouldn't be either. And as we see this rejection of cheap goods and services and the emergence of green and sustainable living at the crossroads, what we have is something that is very interesting. Going green is more than just better for the planet. It represents good quality and value.

Now, there has been a lot of attention in the media lately about major corporations and manufacturers going green and how it might affect small businesses. It rhymes with sprawl mart. But small businesses should welcome the green revolution. Here is why. Going green is not like adapting quickly to consumer tastes and fashion trends. It is a philosophy rooted in the very big idea of saving the planet. So as consumers seek out green products, they will want what is really, truly the real deal. They want authenticity. A smaller business can create a corporate DNA that has sustainability through and through, while larger corporations struggle because of their size.

So I am going to use the cleaning category as an example. Global companies like Procter & Gamble and Clorox have a stronghold on the cleaning industry. They also don't have a history of creating nontoxic products. You just have to look at the warning labels. At our small company called Method—it is a small company I recently partnered with, who took the drudgery idea of cleaning one's home and actually made it fun by making products that are nontoxic and packaged in fresh containers with bright colors and pleasant scents. Method, a cleaning company, even has thousands of fans

called influencers who volunteer their time to spread the marketing message of Method to others. Seriously, when was the last time you heard of someone joining a Clorox bleach fan club?

So as major retailers are going green, they need a company like Method to stock their shelves. These retailers can't turn to a global manufacturer to simply invent a green product. It would be inauthentic and without any trace of green DNA. So how do the small business owners concerned about the environment go green? Here is a few ideas.

First I think one solution is to create an interactive Web site which gives small business owners a handful of useful suggestions, 10 or 20, to help their everyday business needs go greener. It could be anything from ideas on choosing energy-efficient lighting, buying green power for their office, to tailored resource listings that help set up a recycling system for their office. There could be a primer of what going carbon neutral actually means, a way of calculating what their current output is and tips on reducing and neutralizing their footprint. The program would not be dissimilar to the Environmental Protection Agency's Energy Star program Web site, which is basically an interactive Web site giving homeowners tips on conserving power.

Another idea is to create a certification program that gives small businesses official recognition for going green. This could be modeled after the LEED program, which is a program of the U.S. Green Building Council. In the LEED program, buildings that are designed in an environmentally sound manner could submit their designs to the council for certification. Those who meet LEED requirements are then given ranks ranging from gold to silver to platinum, with platinum being the highest, or in this case the greenest. Small businesses who adopt green practices could apply for a new certification and use the achievement as a marketing tool. Since they will need to prove they are, in fact, practicing and adopting green practices through a certification program, receiving such an honor can be used as a real marketing tool to differentiate themselves in a crowded field. Earning this certification will help a small business prove their green DNA to the consumer.

In conclusion, small green businesses need to continue on the paths they are leading now. Innovative new products, good service and great design and the green space will help them thrive and profit. Assistance in educating small business owners who want to go green about practices in everyday action will go a long way. Taking steps to go green will help these businesses create a foundation of business practices that will go a long way to earning the trust and dollars of the American consumer.

Thank you so much.

ChairwomanVELÁZQUEZ. Thank you, Mr. Seo.

[The statement of Mr. Seo may be found in the Appendix on page 55.]

ChairwomanVELÁZQUEZ. Our next witness is Mr. Julius Genachowski. He is the cofounder of New Resource Bank in San Francisco, California. The New Resource Bank is one of the Nation's first commercial banks to offer financing aimed specifically at green businesses. Mr. Genachowski is also the founder and man-

aging director of Rock Creek Ventures, an advisory and investment services firm. Prior to his current position, Mr. Genachowski was chief of business operation and a member of the Office of the Chairman at IAC InterActiveCorp.

Welcome.

**STATEMENT OF JULIUS GENACHOWSKI, COFOUNDER, NEW RESOURCE BANK, SAN FRANCISCO, CALIFORNIA**

Mr.GENACHOWSKI. Thank you. Thank you for inviting us to testify. I am testifying as a cofounder of New Resource Bank, a new and innovative bank with a mission of providing financing and other banking products to businesses serving the broad goal of environmental sustainability. New Resource Bank, the country's leading commercial green bank, provides banking services to cleantech, renewable energy and other businesses bringing to the market resource-efficient, healthy and environmentally friendly products. The businesses with which we partner, generally small businesses, are creating jobs contributing to U.S. economic growth and helping solve some of the Nation's most challenging problems.

Our belief is small businesses need banking partners who understand the category, their business models and their needs. We opened our doors at New Resource Bank with our first branch in San Francisco last November. It has quickly grown to 100 million in assets, more than quadrupling in size from launch. We started work a number of years ago when there was broad skepticism that the words ″green″ and ″business″ could be used in the same sentence. Today there is a growing consensus that resource efficiency is not only a commercial opportunity, but a national imperative. We commend the Committee for holding this hearing and for its other work in this area.

My written testimony describes some of the founders and investors, initial investors, in the bank, which include some of the country's leading entrepreneurs: Mitch Kapor, who developed Lotus Development; Bob Epstein, cofounder of Sybase; Lisa Gansky, cofounder of Ofoto.

To date New Resource Bank financing has been applied to put solar energy systems on roofs, construct energy-efficient buildings, helped entrepreneurial businesses expand. In the solar arena we introduced financing that makes conversion to solar power as easy as possible for both small businesses and homeowners. They can use our financing to get solar energy with no money down by simply paying a monthly bill that is roughly the same as a utility bill.

We have also structured loans that encourage real estate developers to build green by providing a lower interest rate and potentially higher loan-to-value for projects built to LEED levels and energy efficiency and environmental design, and we deployed our capital to help small businesses pursuing strategies based on sustainability.

Some examples of small business customers to which we provided an expansion capital or other banking services are Solaria, a solar technology company developing products that improve the efficiency and reduce the cost of solar cells with the goal of allowing solar energy to compete effectively in the market; Sustainable Spaces, which provides monitoring and retrofit services to help

small and medium-size businesses improve energy efficiency, reduce utility bills and improve work environments. Revolution Foods provides schools with a new food service option that replaces junk food with nutritious and good-tasting alternatives, part of a sustainable solution to our health issues; Cowgirl Creamery, a cheese maker that is crafting award-winning cheeses with organic and sustainably grown ingredients, which just expanded to the District of Columbia with a store on S Street.

We believe there are opportunities for our government to promote the efforts of small businesses like these, giving young businesses a chance to succeed and helping accelerate their growth.

Today, of the Federal support that exists for alternative energy, a good deal is accessible namely by larger businesses and projects, such as those targeting coal gassification, large-scale renewable energy production and nuclear energy. Small businesses will be a key source of innovation and job creation in this area.

Some of the opportunities for Federal action are captured in H.R. 2389, the Small Energy-Efficient Business Act, and we applaud this Committee for its work on this bill. SEEBA includes sensible modifications of existing SBA loan guarantee programs like SBA 7A and the 504 program; an expansion of the Small Business Investment Corporation; and a creation of a renewable fuel capital investment program. We support these measures as smart and efficient ways to increase the flow of private capital to small businesses developing or requiring energy-efficient technologies.

We would like to offer two comments on SEEBA based on our experience at New Resource Bank. First we recommend that the provisions offering more flexible loan terms, such as those applied in 504 loans, be expanded to include more categories of business. As we understand it, the bill now applies to manufacturing businesses, and we encourage the inclusion of small businesses in other categories as well, such as agriculture, real estate, construction and transportation, if they meet the standards in the bill for developing or acquiring energy-efficient technologies.

Secondly, we suggest a clarification of the more flexible loan terms provided by SEEBA so that they are not limited to renewable fuels. We believe the intention of the bill is to support small businesses involved in a broad range of alternative energy, not just renewable fuel. We read the definitions of the bill as consistent with that, but a clarification may be in order.

We also recommend that the Committee consider changing the name of Renewable Fuel Capital Investment Program to the Renewable Energy Capital Investment Program to make this clearer.

We suggest Congress consider tax credits for renewable energy, providing clarity for small businesses. We would recommend Congress to consider updating commodity support payments in the farm bill to encourage renewables and sustainable production. The U.S. agriculture industry is increasingly embracing the business opportunities provided by our need for alternative energy. We encourage Congress to make sure the commodity support system doesn't discourage renewable fuels on farmland, and that it specifically encourages renewable fuel production.

We also offer our perspective on the debate over measures to limit greenhouse gas emissions. We believe economy-wide carbon

emissions limitations will provide a clear signal, spurring investment in commercial solutions to our energy needs. We think small businesses would benefit from clear regulation in this area as opposed to vague rules that are hard for them to plan on.

ChairwomanVELÁZQUEZ. Mr. Genachowski, would you be able to—

Mr.GENACHOWSKI. Final comment. I speak as not a cofounder of New Resource Bank, but a depositor. Our initial capital of 24-1/2 million came not from a few institutional investors, but from about 200 individual investors that has been exceeded by funds provided by our depositors, over another 75 million more in capital that New Resource Bank can deploy in support of its mission. Our depositors are attracted by our great service and product features like free worldwide ATM access. But my last note is they have also come to our bank from around the country, Colorado, Illinois, New York, Missouri, Oregon, Texas, Virginia, Wisconsin, Washington State and here, District of Columbia. Whether they are from red or blue States, they want to bank green.

Thank you for the chance to give this testimony, and New Resource Bank looks forward for the opportunity to work with the Committee in developing legislation in this area.

ChairwomanVELÁZQUEZ. Thank you.

[The statement of Mr. Genachowski may be found in the Appendix on page 57.]

ChairwomanVELÁZQUEZ. Our next witness is Susan Maxman. She is the principal in the firm of SMP Architects, located in Philadelphia, Pennsylvania. Her firm offers a full range of architectural services, and they have been a leader on green design.

For her contributions to the profession, Ms. Maxman has received honorary degrees from Ball State University and University of Detroit-Mercy, and in 2007 was the initial recipient of the American Institute of Architects, Philadelphia, Thomas Walter Award. She is testifying on behalf of the American Institute of Architects where she previously served as president. AIA represents the professional interest of over 80,000 members.

Welcome.

**STATEMENT OF SUSAN MAXMAN, OWNER, SUSAN MAXMAN & PARTNERS, ARCHITECTS, PHILADELPHIA, PENNSYLVANIA, ON BEHALF OF AMERICAN INSTITUTE OF ARCHITECTS**

Ms.MAXMAN. Thank you, Madam Chairwoman and members of the Committee. Good morning.

Since nearly half of the AI members own or work for small firms, we appreciate all the Committee does for small businesses. Thousands of small businesses across the U.S. are realizing the economic benefits of going green. As and architect who has devoted much of my career to making the environment much more energy-efficient, I am gratified to see how this issue has taken center stage in Congress and across the country, but I also see there is much more to do.

According to the Department of Energy, buildings and their construction are responsible for nearly half of all greenhouse gas emissions produced in the U.S. every year. DOE reports the building

sector accounts for 39 percent of the total U.S. Energy consumption, more than both transportation and the industry sectors. The same study found that buildings in the U.S. Alone account for 9.8 percent of carbon dioxide emissions worldwide. That equals nearly the same amount of carbon emissions of all sectors of Japan, France and the United Kingdom combined, which is startling.

The data shows the building sector's impact on the environment will only grow over the coming decades. Currently U.S. building stock sits at 300 billion square feet. Experts predict that between now and 2035, 52 billion square feet will be demolished, 150 billion square feet will be remodeled, and another 150 billion square feet will be newly constructed. If the United States wants to be the world leader of energy efficiency, our buildings must be a significant part of the discussion.

That is why the AIA has adopted a position stating that all new buildings and major renovations to existing buildings be designed to meet an immediate 50 percent reduction in fossil fuel-generated energy, with further reductions in 2030 when all new and renovated buildings should achieve carbon neutrality. The Senate responded to our call by requiring all new Federal buildings to meet these goals as part of their recently passed energy bill. The House Committee on Oversight and Government Reform has approved similar legislation.

Building green is critical to the effort to address greenhouse gases and reduce our dependence on foreign sources of energy, but has another equally important benefit. It is good for business, especially small business. By using energy-efficient building systems and technologies, businesses can reduce monthly energy bills, improve worker productivity, increase worker retention and the well-being of building occupants. More, they can have a significant impact on the quality of life in their communities. As well, businesses that care about their environmental footprint find they have a competitive edge in the marketplace with the growing concern for the environment.

However, significant and very significant barriers remain for small businesses that want to go green. I have an example I would like to share with you personally. Our firm is currently working with an entrepreneur in upstate New York on the design of the Worden Hotel, which is a small luxury boutique hotel in the heart of Saratoga Springs, New York. The client came to our firm because they wanted to be green, and they wanted a green building. Our conceptual design included many strategies, geothermal heating and cooling systems, green roofs, solar hot-water heating, sequestered rainwater for flushing toilets, and on and on and on, similar to what the mayor talked about in the big new stadium that is being built.

When the conceptual budget was completed, the client found they could not afford to retain many of those strategies and make their pro forma for investors work, even though we found other strategies to reduce costs, such as room sizes and other strategies. Although New York State has a very aggressive incentive program for energy conservation in buildings, it was not enough to offset the cost for the geothermal system and green roofs and other things, and the geothermal system has a 10-year payback, but it can make

tremendous difference in terms of energy consumption and environmental quality.

This is a story that we see over and over again, and small businesses and nonprofits often cannot afford the initial capital investments to create high-performance buildings.

There are numerous studies that show the initial cost of going green can be quickly recouped in the first few years of operation. There has been a challenge getting the message through a system where first costs are often the only things that the financial institutions see.

With this in mind, I would like to offer three areas where the Committee and Congress can help small business remain at the vanguard of creating a more sustainable environment. First we need to do more to help small businesses get finances to build green. I am pleased to see that the Senate-passed energy bill contains provisions in the SBA to expand its programs to help small business become more energy-efficient. I hope this Committee can help ensure the energy legislation passed by the House includes similar provisions.

Second, despite the benefits of energy efficiency, many small business owners are not aware what they can do to make their buildings green. With the technologies changing, there is a way—there has to be a way to educate them to do that.

Finally, I believe that this Committee can also help small businesses lead the way by ensuring that Federal agencies that design and build buildings follow the law when it comes to hiring architects and engineers. The last 35 years the Federal Government has required that agencies procure architectural and energy services based on which firm is most qualified and not who is the lowest bidder. Thanks to this law, the Federal Government has benefited from the highest quality of design, and smaller firms have had much more of a level playing field.

In recent years more and more agencies are circumventing this law by putting design services on GSA's competitive schedules and by bundling contracts in ways that give large corporations unfair advantages over small firms. At a time when we are looking to the Federal Government to make its buildings more efficient, the last thing we should do is lock out small design firms at the very cutting edge of sustainable design.

Small businesses have always been at the forefront. With the help of this Committee we can lead the way in designing and building a more sustainable future.

I thank you, Madam Chairwoman.

ChairwomanVELÁZQUEZ. Thank you.

[The statement of Ms. Maxman may be found in the Appendix on page 61.]

ChairwomanVELÁZQUEZ. Our next witness is Bob Jones. He is the president of Robert Jones Homes, which specializes in land development and the design and construction of single-family luxury homes throughout Detroit.

Mr. Jones is the 2007 vice president of the National Association of Home Builders. The National Association of Home Builders is a District of Columbia-based trade association representing more

than 235,000 residential home building and remodeling industry members.

Welcome.

**STATEMENT OF BOB JONES, PRESIDENT, ROBERT R. JONES HOMES, BLOOMFIELD HILLS, MICHIGAN, NATIONAL ASSOCIATION OF HOME BUILDERS**

Mr.JONES. Thank you very much, Madam Chairwoman and distinguished members of the Committee. My name is Bob Jones. I am a home builder from Bloomfield Hills, Michigan, and I am the vice president and secretary of the National Association of Home Builders, NAHB. NAHB represents over 235,000 members, who employ millions of individuals in the home building, remodeling, multifamily and light commercial construction industry.

I am here to talk about the success that our Nation's home builders, many of which are small businesses, have had in cultivating a progressive green building program that is producing sustainable, energy- and resource-efficient homes throughout the country, NAHB members build more than 80 percent of all new homes in the United States, and by the end of 2007, more than half of our members will be incorporating green building practices into the development, the design and the construction of these new homes.

Because housing is such a major part of our Nation's economy, home builders have the potential to profoundly affect sustainability, conserve natural resources and preserve our environment.

I am proud to say NAHB members are true leaders in the green building movement. We have been implementing green practices for over a decade. According to McGraw-Hill, about 10 percent of the homes built in 2010 will be green homes, which is a major jump from 2 percent in 2006.

Being green is more than being trendy. Green building means making an intentional decision to positively impact energy efficiency, preserve resources, and to reduce and recycle waste throughout the entire design and construction process and for the life of the home.

NAHB took the lead in 2005 working with more than 60 stakeholders, environmentalists, builders, product manufacturers and designers and developed agreed-upon criteria to guide builders on how to construct a green home. These model green home-building guidelines were developed for use by any builder. To date more than 100,000 green homes have been built in voluntary programs.

Two dozen local homeowner associations have adopted programs based on these guidelines, and dozens more are in development. Some have already been endorsed by State and local governments. The net effect is thousands of homes are being built to green criteria.

NAHB has proactively adopted a policy of promoting green building as a means of reducing greenhouse gas emissions. In fact, NAHB has partnered with the International Code Council, the preeminent authority for building codes, to produce and develop the first true national green building standard for residential construction. The standard will be accredited by the American National Standards Institution, which you may know by the term ANSI. It will be an industry-wide consensus-based and certifiable bench-

mark for all residential construction types, single-family, multi-family, remodeling and land development.

The Committee that is developing the standard includes members from the United States EPA, the Department of Energy, the United States Navy, many State and local housing agencies, non-governmental building organizations, small custom home builders and remodelers. Both members and the general public will have the opportunity to influence its development, and once published, the standard will periodically be reviewed and revised to ensure its rigor and integrity.

Healthy competition in the green building market will only continue to drive its growth and innovation, as well as keep costs down for home buyers so that green homes are affordable and people can easily make the green choice. NAHB urges Congress to preserve competition in the market by keeping it free of mandates; to foster greater awareness by sponsoring education campaigns for consumers about the benefits of green construction; and extending and expanding the tax incentives for highly efficient new homes.

NAHB is now developing a national green building program that will not only support the standard I mentioned earlier, but will also help State and local governments to implement green building practices. The housing industry's commitment to increasing energy and resource efficiency in home construction is demonstrated by the development of the national green building standard and program.

On behalf of the Nation's home builders representing many small businesses I thank you. I thank you all for the opportunity to speak here today about our industry's advances in green building and our leadership in the green revolution. I will be happy to answer any questions, and certainly we will work with you in the future. Thank you.

ChairwomanVELÁZQUEZ. Thank you, Mr. Jones.

[The statement of Mr. Jones may be found in the Appendix on page 66.]

ChairwomanVELÁZQUEZ. And now I recognize Ranking Member Chabot for the purpose of introducing the next witness.

Mr.CHABOT. I would like to introduce Mary Beth McGrew, who is a LEED-certified architect with 16 years' experience in working in private architecture and engineering firms. She currently works at the University of Cincinnati as the associate vice president of campus planning and design. The University of Cincinnati has over 16 million square feet of space and over 30,000 undergraduate students. There are five campuses, with the largest in the uptown area within the city of Cincinnati, and her department addresses the campuses' design standards, space management and allocation, programming and planning, capital planning, real estate and environmental graphics. And we welcome you here for your testimony here this morning.

Ms. McGrew.

**STATEMENT OF MARY BETH McGREW, DIRECTOR, UNIVERSITY ARCHITECT CAMPUS BUILDING DIVISION, UNIVERSITY OF CINCINNATI**

Ms.MCGREW. Thank you. Madam Chairwoman, Congressman Chabot and members of the Committee, thank you very much for this opportunity to testify before you today on behalf of the University of Cincinnati's green building efforts and the relationship that these efforts have and will continue to have for small businesses. Small businesses can be benefited from being selected for services and products that meet our university's green specifications.

Located in the heart of Cincinnati's uptown area, the University of Cincinnati is a first-tier research public institution with over 36,000 students, and it is the largest employer in Cincinnati's region.

The university has made grade strides in our green building construction with all of our new buildings, and we are learning more and more each day that we can apply to OUR future design and construction and renovation projects along with the maintenance and operations of our facilities. We want the University of Cincinnati to be a healthy, pleasant and provocative place to live, learn and also a benefit to the small businesses in the region.

Recognizing its environmental stewardship role, the university seeks to incorporate the concept of sustainability into its academic and research programs, the design and operation and maintenance of its buildings and landscape, and its organizational structure and management, while preserving safety and comfort.

You have heard about some of the statistics. During the last 16 years, the construction at the university has resulted in over 48 percent of a transformation of that campus and its built environment. We now have a cohesive and coherent assembly of new buildings, renovated buildings, recreation facilities, improved residential environments, athletics and performance venues, and sculpted landscapes and plazas.

Because of the great extent of our building efforts, and because, as the U.S. Green Building Council reports, the huge amount of energy use, the 37 percent of total energy use with buildings, 65 percent of the buildings with electric consumption across the country being responsible for 30 percent of the greenhouse gas emissions and 30 percent of raw materials used, 30 percent of waste output and 12 percent of potable water consumption, we considered embracing green construction for our buildings as the right thing to do for our campus and our campus community.

Economically it should have paybacks in energy savings, but that was not the only reason we did it. It moves the university forward in the responsible use of our natural resources, and it is the responsible thing to do for our current citizens and the most important thing for our future citizens that we are in the business of educating.

We see that society, business, and the environment and the economy are all interconnected. The university's physical campus has a role in the education of the campus community and in the incorporation of green building principles. It provides an educational opportunity for the community at large.

The building industry, according to the U.S. GBC, represents the largest economic sector in the U.S. and the second largest manufacturing sector. Green building is very directly concerned with regionally specific issues, and so there are natural links to local and small businesses. Small businesses that make the materials green building use will grow as demand rises, and we have seen evidence of this already.

In our projects, construction waste was recycled by local companies. Many materials used in the construction were required to be from a local and regional area. The site development required capturing of rainwater. We used that as irrigation for plants and landscaping. It also required knowledge of local methods for protecting the site during construction and the kinds of soils that are unique to our region. We support the city's transportation system by having negotiated the faculty, staff and students ride in the area for no cost to us.

The university is involved in collaborations for the successful development and use of new technologies and process that contribute to better building efforts in all of our research efforts. So there are just a few of the opportunities for green building and local businesses and small businesses to link.

Construction of green buildings at UC benefits small businesses in a number of ways. Small companies with the right knowledge, and this is a knowledge-based economy, can benefit from green construction practices. For example, at the time the recreation center at the university was being commissioned, that is making sure that all of the systems worked as they were designed to, our commissioning agent was actually a sole practitioner. Local businesses can supply green goods and services. With 36,000 customers we can significantly capture the marketplace.

Contractors and construction companies have learned to use the tools of green building trade when they design, build, and help maintain the buildings for our institution.

Another example is there is a need for a sports floor produced in part from our local region and to have solvent-free adhesives. One of our local flooring companies has developed just such a product, and that product was both local and green.

Students. That is what we are all about, the students. They will live and enjoy the green buildings at UC. They will take higher expectations for sustainability with them when they leave the university and join small businesses. UC students are the future of small businesses, and their experience with green building should serve to advance sustainability efforts for many years to come.

In closing, I would like to let you know our president has joined the President's climate commitment modeled after the mayor's climate commitment that the mayor from Santa Barbara was talking about.

Thank you very much for this opportunity.

ChairwomanVELÁZQUEZ. Thank you very much.

[The statement of Ms. McGrew may be found in the Appendix on page 73.]

ChairwomanVELÁZQUEZ. I believe that is a call for how many votes? Four. So I am going to start asking questions, and we will recess and come back.

Mr. Jones, I would like to address my first question to you. You mention in your testimony that by 2007 more than half of the home builders members will be incorporating green practices in the development, design and construction of new homes. What kind of incentives are necessary to convince even more builders to construct green homes?

Mr.JONES. I think at first when we were talking before about sticks and that approach to it, and then I agreed with the Congressman who said we are sort of past that entity. The main thing, I think, that is an incentive, number one, is competition. That, in my view—and I hadn't heard anybody mention that—in my view is one of the—certainly I know as a businessman, as a home builder that competition drives me in many instances.

Secondly, I had the opportunity about 3 weeks ago to go to a reception at the Smithsonian with some of the tribal groups as well as many representatives of EPA were there, and I have to tell you and share with all of you that I could not mention green building without having three or four or five people gather around me just at an informal reception in terms of their interest. It is what I would call hot, the green building, and I think my response is as I said to you, Madam Chairwoman.

ChairwomanVELÁZQUEZ. Mr. Jones, can you talk to us about how do we get more contractors to become aware of Federal programs or incentives that encourage green construction?

Mr.JONES. Certainly one of the ways of just what you are doing here today in terms of the fallout that hopefully will come from this.

Secondly, you may know in my last comment, my last half sentence, we not only thank you for being here, but even more importantly we want to continue serving you in any way we can to get this through.

Thirdly, in terms of across the country, it is really a hot item. It is hot in terms of not only the builders, obviously, from our statistics, but also from the consumers' perspective. And so I just think—the comment was made to me, and I don't know the year, whether it be by 2010 or 2015, you will not hear of green building. That sounds like somewhat of an outlandish statement, but I really think that it is coming on that quickly that what will happen anymore than any builder or anyone in our profession or related profession hears anymore that, gee, this builder does code-approved houses. It will just be accepted that it is green built.

ChairwomanVELÁZQUEZ. Can you talk to us about the fact that you believe, or maybe some of the members of the home builders believe, that you need to create your own separate certification, separate from LEED? Can you talk to us about why it might be necessary for home builders to establish their own industry certification?

Mr.JONES. Yes. Let me give you an example that hits everyone that—you at the dais, but also people in this room and people everywhere, that we don't think it should be mandated, and that is part of their program. We think it almost must be voluntarily. The

reason my first comment about why is that—let's think of all of us. Many of us are parents, many of us have children that will be moving into new homes or moving into homes period, and we want it so that there is various levels, there is not just one level. There is a level in—our approach to it is bronze, silver, gold. We are developing, as I mentioned, standards because we want the ability that someone wants to go green, someone wants to have a green residence, that there is various levels. So when you start talking about affordability, and we talk about our own children, that they have to have something we believe that is affordable yet have both worlds, have the beginning of the green building. That to me is extremely important, the affordability issue for our children.

ChairwomanVELÁZQUEZ. Do you want to make any questions now?

Mr.CHABOT. Thank you, Madam Chair. I will go ahead and ask mine quickly, if I can. I think I will begin with you, Ms. McGrew, since you are from Cincinnati and all.

Relative to—

ChairwomanVELÁZQUEZ. Not being biased.

Mr.CHABOT. Not being biased at all.

Approximately how much did it cost to build the Steger Center green versus how much it could have cost in traditional construction, and how quickly would you expect to get a considerable return back on that investment?

Ms.MCGREW. Well, our buildings are designed by—are very well-designed buildings, and we don't believe that it costs us any more to design them green.

At the time the Steger Center was done, it may have cost the architecture firm a little bit more to submit the paperwork, although the council is working hard on making that not be an expensive proposition for the firm. We did not perform so many radical techniques to the building that it significantly contributed to the cost.

Mr.CHABOT. You also mentioned in your testimony construction materials. Were you talking about when you tore down a building, the materials were used in other buildings in the community?

Ms.MCGREW. I was referring to both. We tore down the parking structure when we started construction on the medical center, and that concrete was a significant recycling effort for a local company.

Our contractors are very good at recycling waste during construction. Every piece of glass comes with packaging material, and there are volumes of waste generated in new construction. That, too, is required to be recycled on site. I think Mr. Jones alluded to that as well.

Mr.CHABOT. Thank you.

Mr. Jones, we have votes, but I want to emphasize again what you talked about, mandates and the way this ought to be done because it makes business sense to do it, as opposed to requiring home builders or anybody else that you have to do it, how important that is. And you also mentioned, I believe, the tax incentives, how important it is that when we have tax incentives, when we here at Congress pass laws where there is—we are trying to make folks in the private sector go with green building because we are helping out in the Tax Code, but if we make the tax changes go

away in a couple years, you can't plan on that long term. Could you discuss those two issues?

Mr.JONES. Yes, sir. First of all, the requirement to do it a certain way, the way we are looking at it is the format for it, the format, to use your words, that you used in relation to the tax incentive, that we want to make sure it is sustainable. Now, I don't mean sustainable in terms of the green building, but sustainable in the sense of that as how the—our children and in the following generations, that this is sustained in terms of the green building and hopefully reaches the highest level. We think it is inappropriate to have it mandated, much, sir, as you alluded in the other panel in terms of that kind of approach to things, and we appreciate your comments in that regard.

In terms of the tax incentives, again, we are on the same wavelength, so to speak. From the counting on it in terms of the green building year to year, it will naturally in that instance begin to take charge of itself because of the demand that already exists, but in terms of the tax incentives, that will help, obviously, our industry.

I mentioned in my original comments to everyone that 80 percent of all new homes in the United States are built by NAHB members. It is important to understand that the 80 percent represents home builders that build less than 10 houses a year.

ChairwomanVELÁZQUEZ. Mr. Jones, we could continue, but we have only 5 minutes to go to the floor to vote. The Committee will stand in recess, and we will resume after the last vote.

[Recess.]

ChairwomanVELÁZQUEZ. Mr. Chabot, you may continue asking questions.

Mr.CHABOT. Ms. Maxman, you mentioned about the 70-room hotel that was going to be built, and they ultimately didn't build it because the cost didn't work out—

Ms.MAXMAN. No, they are going to build it. They won't be able to do all the green strategies.

Mr.CHABOT. Most of the project was that, and my point was going to be this: Is there—you aren't a person, or are you—do you believe it should have been mandated by the government that they had to do certain things regardless of what the cost would have been, or do you think it is appropriate incentives, but not necessarily mandates?

Ms.MAXMAN. It depends on what it is. There could be mandates at certain levels. I don't think mandates in a large scale would be really a worthwhile thing. I think it is really more the carrot and the stick kind of thing.

A couple of examples of different things. First of all, in the case of this hotel, the big problem there, the up-front costs, if we can figure out ways to finance up-front costs, whether it be in the private sector or within the government, to allow for these incentives. If you put in a geothermal system, the payback can be 5 to 10 to 15 years. It is a worthwhile thing to do, but many small businesses do not have that capital outlay that they can commit to it. If there is a way to finance that or to give them some financial incentive. NYSERDA, the New York organization—you probably know about

it, Chairwoman—they do have some incentives, but they are not enough to really cover these kinds of costs.

The other thing is the stick issue, using an example of what happens in Atlanta, Georgia, with stormwater. You are charged—they have a combined sewer system, and you are charged a very high fee now for putting stormwater into the system because they have to purify all of it because it is combined with the sanitary system.

Georgia Tech University has developed this entire new strategy where they are in 15 years never going to have one bit of stormwater into their system by all of these wonderful methods. It will pay back in time easily. And more people are going to start to look at how they can recharge water basins and not put stormwater into our stormwater systems. So those are examples. That is in a way a mandate because it is, you know, an economic mandate in a way.

I think that the creative financing is really where I think these things should be happening, and tax incentives, and low-interest loans and things like that. That is where I think we have to really start working on it and making a difference and really maybe—I don't know, Fannie Mae and Freddie Mac, whether you all can do things with them, but I think that is where these things are really going to happen.

Mr.CHABOT. Thank you very much.

Mr. Genachowski, you represented your support for economy-wide carbon emission limitations. While it is true it would create a boon for the green products and services industry, have you analyzed how such restrictions would affect other industries; and wouldn't really incentives such as those through the Tax Code provide perhaps a more realistic approach to limiting carbon emissions, or should that be a part of it?

Mr.GENACHOWSKI. It is a good question. An overall national strategy for addressing a variety of issues on the table will have to incorporate many solutions. I think the point you have been making consistently today about the need for small businesses to have certainty we agree with. The worst-case scenario is one where, especially for small businesses, they start going down a road to discover that the rules are different. One of the things we hear from our small business customers, we would rather know what the rules are than not and find out later.

Is it possible on climate issues to have broad, national, clear goals that are implemented in flexible ways with respect to small businesses? We don't really consider ourselves experts on the overall climate change issue.

On the issue of providing financial incentives, loan guarantees, flexible loan terms for small businesses, we do know more about that as an institution and are very excited about that. New businesses like ours tend to be founded on some combination of rigorous analysis and anecdote. One of the anecdotes that drove the founding of this bank was a local small business person who wanted to start a restaurant as part of one of the national franchise chains, and he wanted to bill the company and create a few jobs, but he wanted to do it in a way that was green. So typically what will happen is a franchisee will decide to do it, will get the plans and financial model from the chain, go to a bank which will have

seen these before, and they say, we understand; boom, the loan is approved.

He said, look, I would like to do this in a green way, I would like to make some changes with respect to energy, I think it is the right thing to do. I also think my utilities bills will be cheaper down the road, and I think it will pay for itself. He couldn't get the loan for the extra amount. That struck us as economically illogical, because the payback was there, the business model was solid, it was one of the things that lead to a bank willing to say, we understand the business models, and we are willing to engage in this loan.

There will be some loans that new businesses will pursue that will be harder to justify on strict economic grounds, and the kinds of things this Committee is considering with respect to SBA loan guarantees are extremely helpful. It allows a bank like ours to say, this is great, we will share the risk with the Federal Government here on the portion of this that supports public policy but is a little bit riskier for the future. It makes a difference in the market. So we do think the SBA program will make a real difference, and if it can be expanded to more business categories, we think we can write more loans in the area.

Mr.CHABOT. If I have time for one more question?

ChairwomanVELÁZQUEZ. Yes.

Mr.CHABOT. Mr. Seo, you mentioned some products or the company Procter & Gamble, which also happens to be located in Cincinnati, and we love Tide and Pampers and Crest and Gillette and all products and brands that Procter & Gamble is engaged in, but that is irrelevant. I just wanted to throw that in there.

The question I had—and first of all, my congratulations on starting a business at 12 years of age. That was very impressive, and to carry on since that time is really quite inspirational for a lot of people.

Could you discuss a little bit, you know, being green, whether it is building or products or the rest, versus, you know, job creation and business, and kind of the idea being in some people's minds, they think you can be one or the other, but you can't really be green and for growth and more employment and new jobs and all that kind of stuff. I don't agree with that, but there is that mindset out there.

Could you discuss that issue?

Mr.SEO. I think the interesting part about creating a business or turning your business into a green business is that you are actually creating a level of trust with your customer, sort of the level of trust you would have with your doctor. You trust your doctor on a certain level, something you sort of have to agree to or believe in.

I think when your business adopts green practices, it shows your potential customers that you are more than about a profit for your business; you also have a concern for the community, the environment, the planet. You sort of gain their trust for the long term.

So what we have seen in one of our clients who was a hotel chain, one suggestion was when someone shows up in a hybrid car, we would waive the valet parking fees. A lot of customers felt this was a great reward for doing the right thing, but with customers it became a great travel tip also for people to stay at the hotel, to

rent hybrid cars at the airport, and it actually increased their business, too. So it is win-win if you market it the right way.

Mr.CHABOT. Thank you. I yield back my time.

ChairwomanVELÁZQUEZ. For the record, I have a hybrid car.

Mr. Genachowski, you talk about the financing contained in the legislation we passed here. I would like to ask you of the loans that the New Resource Bank provides, roughly what percentage are financed through SBA programs?

Mr.GENACHOWSKI. I will have to get back to you on the exact number.

Mr.GENACHOWSKI. My understanding is that we are writing some 504 loans now. We haven't written 7 loans yet. We would like to.

Part of it is a lot of the businesses that we are seeing in our first market are small businesses that probably don't qualify right now under the terms, but that would qualify under the bill as proposed, and certainly if it could be expanded to cover more categories of business.

ChairwomanVELÁZQUEZ. And do you think that if we can provide financing to SBA loans, if you could offer better terms, financing terms, that will facilitate the growth of energy-efficient businesses?

Mr.GENACHOWSKI. We absolutely think that.

Responding to another question, how do we get the word out about this, one thing the Committee in Congress can do is leverage small businesses like ours who would like to get the message out. So we would love to have the tool of an expanded SBO—SBA loan program. We would put signs up in our banks and use it in our marketing materials because we are excited about sharing the risk with the Federal Government on promoting some of these loans. We see it as good business. We can write more loans if we share the risk with another party.

ChairwomanVELÁZQUEZ. Mr. Jones, the Energy Policy Act of 2005 included tax incentives for builders and homeowners who put in energy-efficient appliances and materials. It obviously has been important to your industry and helped many homeowners. Unfortunately, of the $8 billion in tax breaks in that bill, only about 6 percent went towards energy efficiency and renewable energy. Would you agree that directing more of these tax incentives to small businesses should be a priority for this Congress to address the issue of energy consumption?

Mr.JONES. Yes, Congresswoman, I would. I have a note here that the Energy Policy Act of 2005 is one important way to help smaller businesses who may not be able to absorb costs as easily as larger builders. Now, that is sort of an oversimplification.

May I add one other thought?

ChairwomanVELÁZQUEZ. Sure.

Mr.JONES. One of the things I was thinking in terms of incentives, that Congress could offer grants for green building training, training of builders, but I wouldn't limit it—I think someone made the comment before, I wasn't sure from the dais there, they were thinking about it for a particular group. We think it should be for a variety of groups, obviously the National Association of Home Builders; there are LEEDs and other entities.

We are in a position, the National Association of Home Builders, because of our size and involvement, we would make our own

standard, but we are inviting everyone. I think that is what I sort of want to leave you with today philosophically, that we—as I said before, we want to continue to participate with this Committee, if you will have us, for our input. I also thought if the Committee would feel comfortable with this, we might send additional notes, if that would be okay with you.

ChairwomanVELÁZQUEZ. Yes. Also we passed legislation here to reauthorize the small business development centers. It is a national network through SBA. One of the important things they could do is educate the small businesses in terms of energy efficiency throughout the country.

Mr.JONES. It would be very helpful to continue that.

ChairwomanVELÁZQUEZ. Because of the emergence of eco-friendly options, such as low—soy-based paints, low-flush toilets, compact fluorescent light bulbs and organic cleaning supplies, American consumers are better able to make environmentally conscious choices. Despite the success of these products, does cost remain a barrier for many purchasers?

Mr.SEO. I think it is a misconception that green products cost more. Part of my job through our television show and magazine columns is to identify the products and services as both ecological and economical. The good thing about a boom in the green industry is that there is competition, and there are new companies making products, and with competition we discovered our prices have come down significantly. In some cases a compact fluorescent light bulb is cheaper when bought in quantity than a traditional incandescent light bulb now. So I think the more we can educate and point people in the right direction, the more people will see that saving money can actually be saving the environment, too.

ChairwomanVELÁZQUEZ. Cost will be less of an issue if we can get more suppliers entering the market.

Mr.SEO. Absolutely. I think it is also identifying who these suppliers are. So I feel the tipping point or cultural shift for green products is just a few years ago.

ChairwomanVELÁZQUEZ. What lead you at age 12—what really attracted you; what was in your mind?

Mr.SEO. The spark. I happen to share the same birthday as Earth Day, and it is an unusual holiday because it is a lot of gloom and doom. It is about the rain forest burning down and the ozone layer disappearing. At 12 you are impressionable. I believed everything that I read, and I assumed back in 1989 that the world would be over by the year 2000, so I started Environmental Group as my 12th birthday wish, and my parents gave me $23, and I started a group.

ChairwomanVELÁZQUEZ. Great.

Ms. Maxman, since the inception in 1994, LEED has been a standard for certifying green buildings. Your firm has been involved in a number of products that has used this certification. How effective do you think current LEED standards are in designating green buildings?

Ms.MAXMAN. That is a great question. I started doing green buildings before LEED was even on the radar screen, so we sort of do green buildings and then apply the LEED standards to them.

I think LEED has been phenomenal in terms of raising the awareness of green buildings. People are competitive, and so you have universities that say, we have to have a LEED platinum building, or, we have to have a LEED gold building. And I say, wait a minute, we are just going to design a really good environmentally sensitive building. If it is a really good building, it will be a LEED building.

I think it is fabulous in terms of what it has done to raise awareness. I do think right now it is going through some iterations and changes. I think it needs to start looking at carefully the quality of point systems and really be much more kind of qualitative in terms of how they do it instead of quantitative so that you can't produce a bad building that is a LEED-graded building.

ChairwomanVELÁZQUEZ. Where do you need improvement in addressing the concerns of architects?

Ms.MAXMAN. I think from my point of view, and I have said this to the Green Building Council, and it is a personal point of view, it is not the AI point of view at all, I feel that they need to address their value system. When you can get a certain amount of points for getting a bike rack, the same kind of points for doing something much more significant, that is where they have to figure out how to do this to really make sure that people have a holistic sense.

For example, how could you ever have a LEED-certified building in Texas if it doesn't conserve water? And yet you could, by the way that you get these points. So I think you have to look at what is the big idea. Every project there is something that is the most important thing that you have to do that has to do with where you are, the context of the building and where it is placed. Not everything is equal. So in Texas you must conserve water.

ChairwomanVELÁZQUEZ. Thank you.

Ms. McGrew. Sorry. In terms of constructing the student center and other parts of the campus, did you essentially limit the number of businesses who were able to work? Basically my question is did you find that many firms were not familiar with green construction and unable to bid on the project?

Ms.MCGREW. I don't know the answer to that specifically. I do know that there was more work on the part of the architects to assist the construction early on. And then over the 16 years as LEED became more familiar, especially on major project construction, it was not as big of a problem. That was more the means and methods.

And since you asked me about LEED, may I clarify one thing? Congressman Chabot, you asked me about the cost. On the Steger Center we didn't implement any significant technical issues that caused an increase in cost, but I would be misleading if I didn't say on other projects we did; for example, to put in all the underground piping to collect the stormwater. We expect to get a payback from that in terms of water conservation and in our medical school as well. Those energy saving costs are significant. So we are all—balancing those to report on them.

But in answer to your question, I don't know that we really eliminated people. Our specifications, because we are a public insti-

tution, are open enough to invite different kinds and different companies. So I don't recall any complaints.

ChairwomanVELÁZQUEZ. Well, no. It is just to see how—if there weren't small businesses who were able to participate or compete because of the requirements.

Ms.MCGREW. It would be a very good question to ask, and it would be a very good question to ask a lot of the local contractors.

ChairwomanVELÁZQUEZ. Sure.

Ms.MCGREW. I think early on they might have been a little bit more intimidated than they are now since it is so common.

ChairwomanVELÁZQUEZ. Mr. Jones.

Mr.JONES. Thank you.

I would like to make a comment. First of all, typically—I want to use the word ″typically″—LEED is aimed, quite frankly, at high-end type, whether it be builders, or obviously their reputation has come from the high end, as has been mentioned, whether it be hotels, whether it be those kind of examples.

And then I would like to add also, and this we got from the USGBC council, that they estimate that a LEED home—let me underline home, but that is the business we are in, residential homes—could add 12,000 to 15,000 to the cost, just for your information.

Ms.MCGREW. May I comment on that?

ChairwomanVELÁZQUEZ. Yes, Ms. McGrew.

Ms.MCGREW. I wanted to clarify the high end. I think it is true. High end makes me think of expensive and fancy, and I think maybe it is a matter of size that the LEED certification system—if a building is 20,000 square feet and over, at least—and, Susan, you can correct me, that is kind of in the architect's language. If it is 20,000 square feet and over, there is enough mechanisms in place that it is not a huge burden. For smaller structures, the system wasn't designed to be as accommodating to those, and I think rightfully so. The U.S. Green Building Council went after the buildings that used the most energy, and those are the big ones. I just wanted to clarify that.

Mr.JONES. I think that is absolutely true.

ChairwomanVELÁZQUEZ. Okay. My last question—I wanted to address it to Ms. Maxman, but if there is any other witness who would like to answer it.

At present, who do you feel is driving the advancement of green buildings, building owners, designers and builders, government, or the public in general?

Ms.MAXMAN. That is a really good question. I truthfully think it is the building owners. And I think it all started with LEED. I really do. You know, because I—you know, back in 1991, when I started on this path to doing green buildings, I mean, there were none then or very few. And you know—and I was the one who was always driving it to my clients and saying, look, and making them aware of it and everything. But now, you know, I think everyone knows about LEED, and truthfully I do feel that it started with the institutions and the nonprofits that were the—they were the first wave of interest, because, you know, they keep their buildings longer; they really do kind of, you know, always have in mind the greater good, et cetera, and so on, and the examples.

And then slowly, you know, now the commercial end of it has taken place, because the marketplace is dictating it, because of what you are saying—what we are all seeing is this green tide. So people realize that there is a great advantage, and the developers and the builders and so on realize there is a big advantage to being able to say that I am a green building and so on, and I am a LEED-certified building. A lot of that has to do with certification. A lot of clients want to be certified so they can put the plaque on the wall and say, I am a LEED building. And I don't think it is the government at all. I really don't. In the case of GSA or something like that or the Navy or something, they obviously—they are the ones who have determined—and I think that architects introduced that to the Navy and to GSAand so on. I think that we really were responsible for those agencies coming on board.

ChairwomanVELÁZQUEZ. Any other members of the panel?

Mr.GENACHOWSKI. I agree with Susan that the demand is coming organically, so to speak. It is coming from building owners and the public for a whole series of reasons. But there is more demand than there is ability to actually build some of the green projects. This is where the kind of work that the Committee is doing in helping whether it is individual homeowners, small businesses or others act on their desires by helping bring together businesses and capital so that the projects can go forward. I think there is less of a demand issue now than there is of supply of capital issue.

Ms.MAXMAN. I absolutely agree with that.

Mr.JONES. I just think the Committee might take into consideration I think there is two separate entities we are talking about. One, when we talk about buildings, we tend to think in terms of commercial, of large—when Ms. McGrew said about 20,000 square feet, well, I don't know too many houses that are 20,000 square feet, okay? So I would just like you all to make that distinction because I think in—as I said in my earlier testimony that in the past 7 years our industry has done 100,000 homes green, and so I just think—I think it is a combination of what is causing it to move, as your good question indicated.

ChairwomanVELÁZQUEZ. Any other members? Okay.

So Mr. Chabot.

Mr.CHABOT. Thank you. I will try to be brief.

Ms. McGrew, one final question, maybe two. The one thing, relative to, say, UC's campus, University of Cincinnati, it is obviously essentially landlocked, and there are always challenges when you are building in an area as opposed to out in the suburbs or a more rural area. Does that also affect when you are trying to build something green, when you have more of a confined area that you are dealing with? Are the challenges perhaps a little bit greater, and do you have to be a bit more creative or—

Ms.MCGREW. I don't know if it is because it is green, but it is certainly much more challenging to build in an urban environment, and ours is one, and it is landlocked. We also think that is part of being green. The denser you are, the easier it is to be green and to access public services and to link with our city. So while it is a challenge for space, it is also an opportunity, and we are surrounded by so many businesses that can talk to each other, so there is a nice network. So I think it is a balance.

Mr.CHABOT. Okay. And then the other question somewhat related. Using the DAAP building as an example, which is—for those that aren't familiar with it, it is, shall we say, creative, unique, very few right angles.

Ms.MCGREW. Our example of indeterminate space is what I tell people.

Mr.CHABOT. My daughter is a graduate of the program there and got a very good job on her own and is doing very well. But in any event—and it is one of the best programs in the country for what it does. She is in graphic design. But the building is very unusual in the way it, you know, appears. And so is the Vontz building, which I also think is part of the university. Isn't it down the street?

Ms.MCGREW. Yes, it is. It is our east campus, but it is part of our medical campus.

Mr.CHABOT. And it is, shall we also say, very unique. And not being one who considers himself to be terribly knowledgeable about what is artistic and what is not, I am not going to weigh into, you know, what I think about those particular—

Ms.MCGREW. Our buildings are educational in nature. They teach you to think about space.

Mr.CHABOT. They really do. So my question is this: With those two buildings in mind—and when those were built, I think those were built more from what we are talking about here today, kind of from the green building aspect, but more from the creative artistic with that kind of vision. Is that now something that is combined together where one can be creative in the looks? Maybe, Ms. Maxman, not being familiar with these buildings, but knowing—if could you envision in your mind—you probably can't because these buildings are very unique.

Ms.MCGREW. I think those are the two most photographed buildings on campus. And I am glad you brought that up, because early on when the campus set about to change its image, those two buildings were—the green initiative was not big on campus, so those two buildings did not have the same set of criteria by which they were judged as the last buildings and our current medical center on our academic health campus. So you are correct that those two buildings—that was not part of the criteria by which they were judged.

Ms.MAXMAN. But I think what happens in architecture is we have the star architects, and we have the star buildings, and we have these pieces of sculpture, and then we have buildings that are built for people. And I don't think that they are exclusive of each other. I think many star architects, quote/unquote, are designing green buildings now. But I think that, you know, people who are truly green building designers are people who think about how people like those buildings, how they live in those spaces, and how to conserve as many resources as possible so they don't do frivolous things. But you can still do, you know, a great work of art, and it can be a green building.

Mr.CHABOT. That is what I was asking.

Ms.MCGREW. And I think our more recent examples on campus, and this is not by any means a criticism of our more early examples, but our more recent examples are a little more holistic in their approach.

Mr.CHABOT. Thank you very much. This was a very good panel.

ChairwomanVELÁZQUEZ. Thank you very much. We are all very grateful for your participation. We know some of you have traveled from across the country, and this has been a very interesting panel. And the bigger picture here is how can we reduce energy dependency in our country? And we all know that small businesses are the innovators, and they are the drivers of our economy. How can we come up with legislative solutions to the many problems that small businesses are facing in accessing capital and continue to do what they do best, and that is creating jobs for our economy.

So I ask unanimous consent, Members have 5 legislative days to enter a statement into the record.

ChairwomanVELÁZQUEZ. And with that, we recess.

[Whereupon, at 12:55 p.m., the Committee was adjourned.]

**STATEMENT**
**Of the**
**Honorable Nydia M. Velázquez, Chairwoman**
**House Committee on Small Business**
***"Small Businesses at the Forefront of the Green Revolution: What More Needs to Be Done to Keep Them Here?"***
**July 11, 2007**

I now call this hearing to order entitled: "Small Businesses at the Forefront of the Green Revolution: What More Needs to Be Done to Keep Them Here?"

Since the beginning of the 110th Congress, this committee has considered a wide variety of energy related issues. Whether it be renewable fuels production or installation of equipment to improve energy efficiency – small businesses are making our world a better place and building "green" is no exception.

Today's hearing will explore further just how small businesses are playing a critical role in improving conservation and energy efficiency while expanding the so-called green economy. Entrepreneurs are leading the effort to combat global climate change by takings steps to reduce energy consumption.

One of the major developments over the last decade has been the profound growth of building green. Green buildings are environmentally responsible, economically viable, and healthier places to work and live. It started out as a novel concept that seemed to be out of reach for many. Now, firms across the country are looking for ways to incorporate these practices and achieve certification.

Due to this growth, it will soon become the norm to have an energy efficient and environmentally sensitive building or home. As installers of solar panels, inventors of bio-based products, or the architects who create the designs – small businesses are responsible for much of the rapid growth in green homes and buildings.

The National Association of Home Builders (NAHB) – who have representatives here today – reported a 20 percent jump last year in home builders focused on environmentally responsible construction. It is estimated that some 50 percent of all builders will produce at least some homes using green methods by 2010.

Our first panel shows us the government can play an effective role in encouraging further innovation in green infrastructure. These three mayors have been at the forefront and have put in place policies that have allowed small firms to flourish in their communities while protecting the environment.

They have provided educational tools, financial incentives, and an overall structure that makes a "green" small business economically viable. I look forward to their insight on

these successful programs and how the federal government may be able provide similar assistance.

This Congress has already started taking steps to ensure not only are we creating domestic supplies of clean energy, but that the federal government can reduce overall consumption. The Small Business Committee has passed 4 pieces of legislation that provide education, financing, and resources on energy efficiency and production.

Building green is not only good for our environment – it is also good for our economy because it will add new employment opportunities. Developing this relatively new sector of our economy will add a new facet to our workforce through "green collar jobs."

While we celebrated our Nation's independence day last week, it is clear America has a long way to go when it comes to energy independence. Whether it is providing better financing options for a green building or technical assistance through an SBDC to identify energy-efficient practices, we must invest in the resources necessary to encourage small businesses to adopt these methods.

I look forward to hearing about what policies have been successful and if there are additional reforms needed to ensure future growth.
I appreciate the witnesses coming here today. I yield to the Ranking Member Mr. Chabot for his opening statement.

**Opening Statement**

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| **Hearing Name** | Small Businesses at the Forefront of the Green Revolution: What More Needs to Be Done to Keep Them Here? |
| **Committee** | Full Committee |
| **Date** | 7/11/2007 |

**Opening Statement of Ranking Member Chabot**

"Good morning and thank you all for being here as we examine how small businesses are leading the way in the green building industry. I would like to thank Chairwoman Velazquez for holding this hearing and each of the witnesses for taking the time to provide this committee with testimony. I would like to especially thank Beth McGrew from the University of Cincinnati for making the trip.

"Constructing and operating buildings requires enormous amounts of energy and raw materials that create large amounts of waste. Where and how they are built affects the ecosystems around us in countless ways. The buildings themselves create new indoor environments that present new environmental problems and challenges. As the environmental impact of buildings becomes more apparent, a growing field called green building, also called 'sustainable building' or 'high-performance building,' is leading the way to reduce that impact at the source.

"Several studies have shown that this type of building can improve energy efficiency. For example, recent research conducted on the financial ramifications and benefits of green design in buildings found that the upfront investment of no more than two percent typically yielded lifecycle savings of over 10 times the original investment. Another study supported reduced annual costs in energy and water by almost $10,000 in a 20,000 square foot building.

"Increased energy efficiency – along with developing new domestic sources of energy and ensuring a diverse energy supply – is a key component of improving our nation's energy security. The practice of green building means making intentional decisions that positively impact energy efficiency, resource conservation and indoor environmental quality throughout the entire design and construction process. The ultimate goals of this thought process is to reduce operating costs by increasing productivity and using less energy and water, improved public and occupant health due to improved indoor air quality and reduced environmental impacts.

"Green building is a new and evolving field. Small entrepreneurs and business were at the forefront of this industry in the 70's in response to the energy crisis of the time. Today this commercial enterprise is still evolving and still being driven by small entrepreneurs and businesses. It is well recognized that small business is the engine of innovation and the center of entrepreneurship. This new evolving industry opens up great opportunities for small businesses to be the 'trail blazers' and become its future leaders.

"Since, today, there appears to be a valid business case for green building, we must ensure that taxpayer dollars are put to the best use. Artificially subsidizing the growth of this or any specific industry could cause potential problems in the future. If this type of construction can be cost effective *and* environmentally friendly for builders, installers and

tenants alike, there should be little need for Congressional intervention. The industry will grow organically and grow stronger without governmental interference. While many of the goals of green building are worthwhile, I am concerned about the possibility of legislating mandates – intended or otherwise – that could be costly and burdensome to our taxpayers and communities. That said, I do believe Congress, and this committee in particular, does have a role to play in reducing impediments to the growth of this industry, especially so that small companies can continue to innovate and produce new technology that will improve the green building process.

"We have excellent witnesses here today to provide us with insight as to how this burgeoning industry is performing and provide suggestions to Congress that will help it continue to grow. I look forward to their testimony. Thank you Madame Chairman and I yield back the balance of my time."

Statement of Rep. Jason Altmire
Committee on Small Business Hearing
"Small Businesses at the Forefront of the Green Revolution: What More Needs to be done to Keep Them Here"
July 11, 2007

Chairwoman Velazquez, I thank you for holding this important hearing today on green businesses. It is an exciting time for small businesses that are leading the charge as we in the United States change the way we think about the products we consume. There is great potential for small businesses and for the entire country as we develop and utilize more earth-friendly goods and techniques.

The area that I represent, western Pennsylvania, is a leader in promoting green business development. Pittsburgh is one of the most active areas for green buildings, and includes the largest green building in the country, the David L. Lawrence convention center. The region also boasts of an impressive infrastructure to continue to be on the forefront of this movement.

Small businesses, as usual, are the most innovative in this field, and the federal government can do a lot to keep them there. Given the right mix of incentives, we can continue to drive this movement, which is good not only for the country but for the economy. I look forward to hearing the witnesses' views on the best methods to attract, encourage, and retain small green businesses.

Madam Chair, thank you again for holding this important hearing today. I yield back the balance of my time.

# # #

## Testimony from Mayor Marty Blum, City of Santa Barbara

**U.S. House of Representatives Committee on Small Business**
**Wednesday, July 11th, 10 a.m. - Full Committee Hearing**

*"Small Businesses at the Forefront of the Green Revolution: What More Needs to Be Done to Keep Them Here?"*

Madam Chairwoman, I am pleased to be here today to represent the City of Santa Barbara and the U.S. Conference of Mayors on the important issue of climate protection activities for small businesses. My comments will focus on how the City of Santa Barbara is encouraging small businesses to become more energy efficient and explore renewable energy and some suggestions for future federal assistance. I'll also share highlights from a recent U.S. Conference of Mayors survey on climate protection efforts in cities nationwide.

***Climate Protection Activities in the City of Santa Barbara***

The City of Santa Barbara is focused on helping the community learn how to be green at home and work. Similar to other cities across the country, we see our City's sustainability efforts as a way for us to lead by example with local businesses. Our Annual Sustainability Report has been provided to you as a summary of our efforts.

To give a brief overview, the City of Santa Barbara is taking action on climate protection with several strategies. We have been using B20 biodiesel in our fleet for over a year, including fire engines and construction equipment. We purchase hybrid or alternative fuel vehicles whenever they're available for our needs. A Green Building Policy for City Facilities requires new construction and major renovations to meet stringent energy efficiency requirements. We are also working with local architects to incorporate more stringent energy efficiency standards through the building permit process for private development projects in the community. Starting in July, approximately 75% of our employees will be working on a new citywide flexible work schedule to reduce vehicle trips and ease traffic congestion.

We have some major renewable energy projects that are complete or under development. 23% of the City's electrical energy is currently derived from renewable sources. We completed a fuel cell generator a few years ago at our wastewater treatment plant that converts methane to energy, generating up to half of the plant's power. This is enough renewable energy to power 500 homes. We're also planning a large solar installation on our office buildings and exploring the reactivation of a hydroelectric plant to power our water treatment plant.

Santa Barbara was the first Southern California city to certify its annual greenhouse gas emissions through the California Climate Registry. The emissions are related to the use of vehicle fuel, electricity, and natural gas. This is an important step because tracking emissions is the first step in reducing the emissions. Santa Barbara was also a finalist for the U.S. Mayors' Climate Protection Award. With cities across the country taking action on climate change, this was a significant achievement for Santa Barbara to be recognized as one of the greenest cities in the country.

One of our priorities is to help educate the community on the importance of climate protection. At my annual State of the City address in March, we discussed many of the City's environmental achievements with 600 community business leaders. We gave everyone a sustainability kit that they could take to work or home to get started. The kits included a canvas bag to reduce use of plastic bags, a CFL bulb to replace incandescent bulbs, a die tab to test for water leaks, and a coffee mug to reduce our use of disposable cups. These kits were a small step but they helped everyone understand how easy it is to be green.

***Climate Protection Assistance to Santa Barbara Businesses***

With the urgency of climate change, we're working with businesses more closely in the area of climate protection. I can share our perspective on how cities can help small businesses become more energy efficient. A few years ago, we formed the South Coast Energy Efficiency Partnership with Southern California Edison, neighboring cities, and the Community Environmental Council, a local environmental non-profit organization, to make our region a progressive leader in energy efficiency. Through local outreach events and educational resources, the partnership provides real solutions to reducing energy use in homes and businesses

The primary goal of the Partnership is to help educate, inform and encourage businesses and residents to use energy resources responsibly and efficiently. With funding from Edison, the Partnership combines expertise and resources from energy efficiency, demand response, self generation and income qualified programs to assist businesses in reducing energy demand.

To date, the Partnership has conducted exchange events for inefficient lamps, holiday lights, refrigerators, and freezers for free supplies and rebates for new appliances. One of the most successful programs is the Business Direct Install Program that currently helping small and medium-sized businesses. Under this Program, contractors provide a free energy audit and replace inefficient lighting and exit signs worth up to $5,000 per business at no cost to the businesses. Energy efficiency workshops and seminars are also offered to businesses.

Our experience with small businesses has given us valuable insight to help them become more energy efficient. Many of them are owners who spend all of their time running the business and don't find the time in their busy schedules to deal with energy efficiency. Also, many of them don't own their buildings and don't want to invest in an air conditioning unit or lighting fixtures that they do not own. It's important that small business owners get educated on technologies that are available to them and save them money. For these reasons, our Direct Install Program is successful in conveniently installing upgrades for businesses at no charge.

When audits are performed, contractors are finding that refrigerators and air conditioning units are the biggest energy users in a small business. The are also the most expensive. With new Energy Star appliances, a considerable amount could be saved in energy and money. While businesses could save on their utility bills, many are not able to spend on the expensive upgrades. Federal assistance to businesses to encourage them to purchase Energy Star appliances would be helpful and significantly reduce energy demand.

To encourage the use of renewable energy, tax credits should be renewed for renewable energy installations and maintained at a stable level for the long term. The uncertainty of constantly changing rebate amounts tends to make people afraid to commit to a renewable energy project because they can't be sure of the rebate amount that will be available. Also, California businesses are still not able to select a utility provider that provides 100% renewable energy. I would encourage consideration and removal of any federal barriers to re-establishing direct access to utilities. This step could help businesses purchase higher levels of renewable energy.

In addition to energy efficiency, the City of Santa Barbara has many years of experience assisting small businesses with waste prevention and water conservation. Santa Barbara's Recycle at Work Program provides businesses with free indoor recycling bins, site visits to set up a recyclables segregation system, and presentations on "What's Recyclable" for employees. Economic analysis of the cost savings from recycling is also conducted, including onsite help to either start or improve recycling. Through our efforts, Santa Barbara now diverts 63% of our trash from the landfill.

The City also works closely with businesses to conserve water. Free water checkups and landscape irrigation evaluations are provided for businesses to find opportunities to save water. Businesses can receive commercial rebates of up to $350 per fixture or appliance, including toilets, urinals, high-efficiency clothes washers, cooling tower retrofits, and high-efficiency water brooms. The City advises businesses on the use and installation of smart irrigation controllers, rain sensors, and state-of-the-art irrigation equipment. Green Gardener training in sustainable landscaping techniques is offered, resulting in over 900 trained landscape professionals in the Santa Barbara region. These water conservation strategies have helped businesses monitor and reduce their water use.

***U.S. Conference of Mayors Survey Results***

Shifting toward nationwide city efforts, nearly 600 mayors nationwide have joined as signatories of The U.S. Conference of Mayors Climate Protection Agreement, committing to reduce their city's greenhouse gases by seven percent below 1990 levels by 2012.

The U. S. Conference of Mayors recently surveyed many of these mayors to learn more about their local energy and climate protection initiatives. Their responses were just released at the Conference's 75th Annual Meeting in Los Angeles.

Foremost among these findings for this Committee, the mayors reported that they would expand programs and initiatives to encourage individuals and businesses to change energy practices, "green" commercial, residential and public buildings, and promote renewable and other alternative energy sources. When mayors were asked to describe how they would invest new federal block grant assistance, here are the activities they cited that relate most directly to small business concerns:

- Retrofit existing buildings to improve the carbon footprint;
- Outreach to business communities to ramp up energy efficiency programs;
- Develop solar water and electric programs that provide lower cost financing; and
- Promotion and education to the public and business community.

We know that the nation's cities not only play a vital role in our national goal of energy efficiency and conservation, energy independence, and climate protection, but have proven that there are many advantages to community-based solutions and strategies. As such, I want to join with my other colleagues and underscore our strong support for enactment of new energy legislation that establishes a new Energy Efficiency Block Grant program, as recently approved by the House Energy and Commerce Committee. Madame Chairwoman, I would strongly encourage you and other Members of this Committee to join with your other House colleagues to ensure adoption of this important initiative.

Thank you for the opportunity to address the Committee.

# SMALL BUSINESSES AT THE FOREFRONT OF THE GREEN REVOLUTION: WHAT MORE NEEDS TO BE DONE TO KEEP THEM THERE?

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS

THE HONORABLE NYDIA M. VELÁZQUEZ, CHAIRWOMAN
THE HONORABLE STEVE CHABOT, RANKING MEMBER

TESTIMONY OF ADRIAN M. FENTY
MAYOR
DISTRICT OF COLUMBIA

WEDNESDAY, JULY 11, 2007

Chairwoman Velázquez, Ranking Member Chabot, Members of the Committee, thank you for inviting me to testify today about the role of municipal government and small business in protecting the environment. I'm especially pleased that you have invited my fellow Mayors Wynn and Blum to take part in this hearing.

We have only one planet. The United States is home to about five percent of the world's population, but accounts for a quarter of the world's fossil fuel use and greenhouse gas emissions. We also lead the world in municipal waste production. The average American consumes 17 times more than the average citizen of Mexico and hundreds of times more than an average Ethiopian.

Clearly, a sustainable future will require us to rethink the products we consume, the energy we use and the waste we generate. The majority of the United States population now lives in urban and suburban areas, and about half of the nation's private-sector employees work for small businesses. So this is the perfect time to take a look at how cities and small business can work together for sustainability. And this important work has already begun in the District of Columbia.

**Green Buildings: The Government Leads the Way**

The District of Columbia is no ordinary city. As the nation's capital and an international tourist destination, our city attracts worldwide attention. My vision is of a municipal government that sets an example for other cities not only across the country, but around the world.

Last year, we began to set that example when it comes to green buildings.

Prior to being elected as Mayor, I served for six years on the Council of the District of Columbia. I joined my Council colleagues last year in passing an innovative Green Building Act, and my predecessor Anthony Williams signed the bill into law. We became the first city in the United States to require environmentally-conscious design and construction not just in government buildings – but in private developments as well.

Beginning in 2012, private, non-residential buildings of 50,000 square feet or more must meet LEED-NC 2.2 or LEED-CS 2.0 standards. Our public buildings – including those owned and leased by the District Government – will begin to meet these standards earlier and at a higher level. We have made these changes to our building code, and will provide incentives in the first few years of the program.

The developer of a 50,000-square-foot building usually is not a small business. But small businesses rent space in these buildings. It will be easier for a small business to adopt innovations such as reduced energy consumption, grey water reuse and increased recycling into its business model if the entire building takes part – making these practices easier and less expensive in the process.

**Clean Currents: Government and Business Working Together**

With a little help from municipal government, small businesses can team up on green initiatives. This spring, I joined a group of businesses in the U Street corridor to announce their participation in the Clean Currents Initiative. These 10 businesses – including a bakery, several restaurants and a yoga studio – have formed a green energy buying group. Together, these small, local businesses will buy nearly two million kilowatt-hours of wind energy per year for three years. The carbon offset from this purchase is equal to taking 185 cars off the road. By buying their energy together, the group will save at least $21,000 a year.

Our Department of Housing and Community Development funds small business technical assistance for several nonprofit organizations in the District of Columbia. One of these nonprofits, the Latino Economic Development Corporation, helped broker the Clean Currents deal. It's the first collaboration of its kind in the District of Columbia, and I'm pleased that my administration was involved in putting it together.

**Next Steps**

The District Government will continue to lead the way by opening what we hope will be the nation's first LEED-certified baseball stadium next year. As we embark upon an aggressive school modernization campaign, we're looking for ways to incorporate green building technologies and reduced resource consumption into our classrooms. We hope doing so will begin to bring the cost of these materials and programs down. We also hope green classrooms will help teach the next generation of small-business owners about sustainability.

Chairwoman Velázquez, this concludes my prepared remarks. I'd like to thank you again for the opportunity to testify today, and I am more than happy to answer any questions.

**Austin Mayor Will Wynn**
**Testimony for House Committee on Small Business**

**July 11, 2007 Hearing: "Small Businesses at the Forefront of the Green Revolution: What More Needs to Be Done to Keep Them Here?"**

Madam Chair and members of the committee, it's an honor to be with you today as you consider these critical issues. In Austin, we've long been at the forefront of clean energy efforts, and – at the risk of appearing a little metro-centric – I think it's fair to say we're proving to be an indispensable city as the nation takes on the challenge of achieving greater energy independence, improving air quality in our urban areas, battling the growing threat of climate change – and doing it all in ways that will foster economic vitality.

I've been asked to speak today on Austin's experience with greenbuilding and small businesses. Before I get to that, I want to take a minute to speak more broadly to our clean energy efforts and the impact they've had on our local economy and small business sector.

In 1983 Austin Energy – our municipally owned utility – was on the verge of building a new coal-fired power plant on the outskirts of the city. Our citizenry voiced strong opposition and city leaders responded by launching an aggressive energy efficiency and conservation program. To date, that program has eliminated the need for more than 600 megawatts of electric generation capacity. And that coal-fired plant was never built.

For commercial customers, we provide rebates and incentives for high-efficiency HVAC units, reflective roofing, chillers, solar screening for windows, ceiling and roof insulation, energy recovery ventilators, premium efficiency motors, variable frequency drives, high-efficiency lighting, energy misers for vending machines, interruptible thermostats, thermal energy systems, district cooling, distributive generation, solar PV panels, building commissioning services and more.

Recognizing the unique challenges faced by small businesses, we've developed programs for them that aren't available to our large commercial customers. For example, on many of our rebate programs, small businesses can receive a 20% bonus above the normal rebate when they participate. We also provide direct installation of certain energy efficiency equipment for small businesses, reducing "first costs" – a key market barrier for small businesses – by providing the rebate up front and eliminating the cost of an installation job and the associated administrative expense.

We offer our commercial customers information and tools to help them better manage their energy use. With our web-based load profiler, businesses can monitor their energy use in precise detail, identify unusual or unnecessary loads and find options for reducing those loads. At no cost to the customer, we also

provide on-site and online energy audits. And we try to keep a constant dialogue with our commercial customers through our speaker series, workshops, product guides, and newsletters – including one directed specifically at small businesses.

As a utility, we spend a lot of money – millions of dollars every year – to get people to not buy our product. We've been able to do this as a utility because it makes business sense for us in terms of reducing the need for new power plants and expensive purchases on the spot market. And frankly, our citizens demand it for the environmental benefits. But as a city, we also know energy cost management is critical to the vitality of our small business sector – the backbone of our regional economy.

We are, however, facing an interesting new challenge on this front. Our energy efficiency programs have been so effective that we're seeing our revenue line flatten out while the per capita costs of new infrastructure in our rapidly growing city continue to rise. Essentially, we are victims of our own success. We will work through this on the local level to the best of our ability, but national leadership will go a long way toward helping us continue to do our part to help achieve national goals of energy independence, environmental protection and economic strength.

To that end, I would ask that you give favorable consideration to Energy Efficiency Block Grant legislation and related measures currently being developed in the House. As Chairman of the Energy Committee for the U.S. Conference of Mayors, I can tell you this legislation is among the highest priorities for the 1,200-plus mayors in that body.

Another key area where we help our customers manage energy costs is through our Green Choice renewable power program. As Austin Energy secures new renewable energy contracts, we sell the power to customers at a rate that is locked in for a 10-year period. With prices skyrocketing for traditional fuels, it typically takes less than a year before new Green Choice customers see their rates drop below those of customers buying from our traditional fuel mix.

Austin's Green Choice program is the most successful in the nation – outselling all of more than 600-plus utility-sponsored green power programs across the country. In fact, after being recognized by the Environmental Protection Agency and Department of Energy as the "Green Power Program of the Year" for five years in a row, the EPA and DOE have decided to retire the award.

The enviable challenge we're facing now is that we literally can't build or buy renewable energy fast enough to keep up with local demand. We currently have more than 400 small businesses signed up as Green Choice partners. And with the attractiveness of 10-year fixed rates – *low* rates – we have hundreds more waiting for new batches of renewable energy to come online.

One of the key obstacles we face is insufficient transmission capacity from the parts of the state where wind and solar energy are most efficient to those parts of the state where that energy is needed. I would respectfully request that you keep that constraint in mind as you consider related legislation on renewable energy and electric utility regulation. Those are issues we can't control on the local level, so we're counting on federal leadership.

Finally, Austin's greenbuilding program is a key strategy we've deployed to help our customers manage energy costs. As you know, almost half of the energy and the vast majority of the nation's electricity, 70 percent by some estimates, is used in our homes and non-industrial buildings – the places where small business does its work.

Started in the early 1990s, the Austin Energy greenbuilding program was the first of its kind in the U.S. With a few exceptions, it's a purely voluntary program that provides technical assistance and offers a rating system for customers who want to optimize buildings for energy efficiency, water conservation, efficient use of materials, indoor air quality, and community impacts relating to issues such as transportation and growth patterns.

More than 7,000 homes have participated in the program, and we currently have almost 9 million square feet of commercial space under consultation. As a snapshot of what greenbuilding can do for small businesses, consider these examples:

Working with our greenbuilding staff, the Strictly Pediatrics Medical Office – a 130,000 sq/ft building that was built to a 3-star standard (with 5-star being the highest) – was able to achieve an energy demand reduction of 462 kilowatts, for an annual savings of 1,371 megawatt hours and about $120,000 off their utility bill.

HEB built a 90,000 sq/ft grocery store to a 4-star standard and reduced their energy demand by 172 kilowatts, for annual savings of 1,141 megawatt hours and about $100,000 off their utility bill. The estimated payback period for the increased design and construction costs on this project was a mere 1.5 years.

The Carr America high-rise office project achieved a 4-star rating under our greenbuilding program and recently sold for the highest price per square foot ever in Austin.

As we look to the future, Austin plans to dramatically increase efficiency requirements in our energy code. Last month a task force that brought together a wide range of stakeholders completed its work on our goal of making all new single-family homes zero energy capable by 2015.

On the commercial side we're implementing similar requirements – with a goal of increasing energy efficiency in new buildings by 75 percent by 2015. And recognizing that for the next couple of generations the vast majority of buildings around us will be the ones already here today, we're implementing a policy requiring basic energy efficiency retrofits on existing buildings – both residential and commercial – at the point of sale.

We're also pursuing a requirement for disclosure of historic electricity consumption on properties when they are put up for sale; buyers will in fact be "aware," and sellers will have incentives to make efficiency upgrades earlier.

These policies will all help keep energy costs stable and low for small businesses – particularly our policy on energy efficiency retrofits for existing buildings. A majority of small businesses are renters. And since utility bills are most often paid for by the renter, landlords have little economic incentive to invest in energy efficiency upgrades.

But we need to remember that most of our property owners and landlords also fall under the category of small business. And we need to have mechanisms in place to make sure their transition to better energy efficiency is an economically viable one as well.

This is another area where cities need federal help. We need federal policies that will incentivise and require lending institutions to make available reasonably priced loans to help business pay for energy efficiency upgrades. We could also greatly benefit from broad availability of federal grants and tax credits for this purpose. Here again, the Energy Efficiency Block Grant legislation that will come before Congress could go a long way.

To the extent that federal and local governments seed these endeavors, local business will grow up around it. In Austin, we've seen hundreds of small businesses created to serve the needs generated by our energy programs.

We have the fastest growing economy of any city our size. Moody's recently rated Austin the number one city in the nation for economic vitality. Forbes consistently rates us among the top cities for business and careers. Harvard Business Review rated us the number one city for business creativity last year. The list goes on.

We're living proof that forward-thinking energy policies and strong environmental protections aren't in competition with economic strength but, rather, are complementary to it. And in making that case, I believe Austin is truly and indispensable city.

**STATEMENT**
**FROM DANNY SEO, FOUNDER OF DANNY SEO MEDIA VENTURES**

**to the**

**Small Business Committee of the**
**U.S. House of Representatives**
**Room 2360**
**Rayburn House Office Building**
**Washington, DC**

**RE: Small Businesses at the Forefront of the Green Revolution: What More Needs to be Done to Keep Them Here?**

**Wednesday, July 11, 2007**

Chairwoman Nadia Velázquez and Members of the Subcommittee: My name is Danny Seo and I am an author and the founder of Danny Seo Media Ventures. I would like to thank Chairwoman Velázquez and this Committee for inviting me to submit testimony at your important hearing today.

I am an environmental lifestyle expert and my company produces media content that gives how-to information to millions of Americans. Through our television programs, books, magazine columns, products, and partnerships with a variety of both large and small businesses, my goal has always been one thing: to show Americans how to live a greener life that is simple, stylish and accessible.

My testimony today will address several points:

(1) how the Green Revolution is more than just a trend;

(2) how small businesses can compete with major corporations; and

(3) what needs to be done to help small business in their quest to go green.

First, there are two movements going on in consumer taste and interests. What I believe we are seeing in the consumer marketplace is a major shift---a cultural one---where consumers are looking for products and services that gives value to their lives, homes, families and communities. It's about quality, not quantity.

What we are seeing is what I've been calling The Meaningful Life. If our lives, home, family and the community we live in aren't disposable, then the products we use in our everyday lives shouldn't be either.

And as we see this rejection of cheap goods and services and the emergence of green and sustainable living at the crossroads, what we have here is something very interesting. Going green is more than just better for the planet, it represents good quality and value.

Now, there has been much attention in the media lately about major corporations and manufacturers going green and how it might affect small business. Small business should welcome the Green Revolution.

**- over -**

Here's why: going green is not like adapting quickly to consumer tastes and fashion trends; it's a philosophy rooted in the very big idea of saving the planet. So as consumers seek out green products, they'll want what's really, truly the real deal. They want authenticity. A smaller business can create a corporate DNA that has sustainability through and through, while a larger corporation will struggle because of their size.

Let's use the cleaning category as an example. Global companies like Procter and Gamble and Clorox have a stronghold on the cleaning category. They also don't have a history of creating non-toxic products; the warning labels on their products speak for themselves. Enter a small company called Method---a company I recently partnered with---who took the drudgery idea of cleaning one's home and actually made it fun by making products that are non-toxic and packaged in fresh containers with bright colors and pleasant scents. Method even has thousands of fans called "influencers" who volunteer to spread the marketing message of Method to others. When is the last time you heard of someone joining a Clorox bleach fan club?

So as major retailers are going green, they need a company like Method to stock their shelves. These retailers can't turn to a global manufacturer to simply invent a green product; it would be inauthentic and without any trace of green DNA.

But how does a small business owner, who is concerned about the environment, go green? Where do they start? I have two ideas.

First, I think one solution is to create an interactive website that gives small business owners a handful of useful suggestions---ten or twenty---to help their everyday business needs go greener. It can be anything from ideas on choosing energy-efficient lighting, buying green power for their office to tailored resource listings that help set-up a recycling system for the office. There can be a primer on what going carbon neutral means, a way of calculating what their current output is, and tips on reducing and neutralizing their footprint. This program would not be dissimilar to the Environmental Protection Agency's Energy Star program website, which is basically an interactive website of a home giving homeowners tips on conserving power.

Another idea is to create a certification program that gives small businesses official recognition for going green. This could be modeled after the LEED program---which stands for Leadership in Energy and Environmental Design---and is a program of the non-profit US Green Building Council. In the LEED program, buildings that are designed in an environmentally-sound manner can submit their designs to the Council for certification; those who meet LEED requirements are then given ranks ranging from Gold to Silver to Platinum, with Platinum being the highest---or in this case---the greenest. Small businesses who adopt green practices could apply for a new certification and use the achievement as a marketing tool. Since they will need to prove that they are in fact adopting green practices through the certification program, receiving such an honor can be used as a real marketing tool to differentiate themselves in a crowded field. Earning a certification will help a small business prove their green DNA to the consumer.

**CONCLUSION**

Small green businesses need to continue on the paths they are leading now. Innovative new products, good service and great design in the green space will help them thrive and profit. Assistance in educating small business owners who want to go green about practices and everyday actions will also go a long way. Taking steps to go green will help these businesses create a foundation of green practices that will go a long way in earning the trust and Dollars of the American consumer.

I respectfully request this Committee to accept my comments and suggestions, and take appropriate action. I welcome any follow-up requests for additional information. Thank you very much for considering this testimony.

**Committee on Small Business**
**U.S. House of Representatives**
**Hearing on: "Small Businesses at the Forefront of the Green Revolution: What More Needs to be Done to Keep Them Here?"**

**Julius Genachowski**
**New Resource Bank**
**www.newresourcebank.com**

**July 11, 2007**

Chairwoman Velázquez and Committee Members:

I am testifying as a cofounder of New Resource Bank, a new and innovative bank with a mission of providing financing and other banking products to businesses serving the broad goal of environmental sustainability. New Resource Bank – the country's leading commercial 'green' bank -- provides banking services to clean-tech, renewable energy, and other businesses bringing to the market resource-efficient, healthy, and environmentally friendly products. The businesses with which we partner, generally small businesses, are creating jobs, contributing to U.S. economic growth, and helping solve some of our nation's most challenging problems.

We opened our doors at New Resource Bank last November and have quickly grown to nearly $100 million in assets, more than quadrupling in size from launch. I'm proud to say that we started work on this bank a number of years ago, when there was broad skepticism that the words 'green' and 'business' could be used in the same sentence. Today, there is a growing consensus that resource-efficiency is not only a commercial opportunity but a national imperative. We at New Resource Bank commend this Committee for holding this hearing and for its other important work in this area.

The lead founder of New Resource Bank is Peter Liu, now Vice-Chair, who had nearly two decades of experience in the banking and energy industries before throwing his abundant intellect and energy into this project. Other founding organizers of and investors in the Bank include some of our country's leading entrepreneurs, such as Mitch Kapor, who founded Lotus Development; Bob Epstein, cofounder of Sybase and Environmental Entrepreneurs; Lisa Gansky, cofounder of Ofoto; Michael Besancon, President of the Southern Pacific Region of Wholefoods Market; and Ray Anderson, founder and chairman of Interface Carpet. For those not aware, Interface is a major carpet company that has grown and prospered by introducing sustainability into its core products and corporate mission.

This is consistent with New Resource Bank's DNA. We believe that 'green' has evolved from a small movement to a major market force – that many businesses are poised to help address our alternative energy and other sustainability issues, helping us become a global leader in building new industries that meet the growing demand for

green and resource-efficient products – and that the main driver of this will be small businesses that need banking partners who understand the category and their needs.

To date, our financing has been applied, for example, to put solar energy systems on roofs; construct energy-efficient buildings; and help entrepreneurial green businesses expand. In the solar arena, we introduced financing that makes conversion to solar power as easy as possible for both businesses and homeowners; they can use our financing to get solar energy with no money down, by simply paying a monthly bill that is roughly the same as their utility bill. We've also structured loans that encourage real-estate developers to "build green" by providing a lower interest rate and potentially higher loan-to-value for projects built to a leadership level in energy efficiency and environmental design. And we have deployed our capital to help many small businesses pursuing strategies based on sustainability. Here are some examples of business customers to which we've provided expansion capital or other banking services:

- Solaria (www.solaria.com) is a solar technology company developing products that improve the efficiency and reduce the cost of photovoltaic solar cells, with the goal of allowing solar energy to compete effectively in the market.

- Sustainable Spaces (www.sustainablespaces.com) provides monitoring, auditing and retrofit services to help small and medium size businesses improve energy efficiency, reduce utility bills and improve work environments.

- Revolution Foods (www.revfoods.com) provides schools with a new food-service option that replaces junk food with nutritious and good-tasting alternatives, part of a sustainable solution to our health issues;

- Cowgirl Creamery (www.cowgirlcreamery.com) is a cheesemaker that is crafting award-winning cheeses with organic and sustainably grown ingredients – which, by the way, has just expanded here to DC with a store on F Street.

We believe there are opportunities for our government to promote the efforts of entrepreneurs and small businesses like these, giving young businesses a chance to succeed and helping accelerate their growth. Today, of the federal support that exists for alternative energy, a good deal is accessible mainly by larger businesses and projects, such as those targeting coal gasification, large-scale renewable-energy production, and nuclear energy. But small businesses will be a key source of innovation and job creation in this area.

Some of the opportunities for federal action are captured in H.R. 2389, the Small Energy Efficient Business Act (SEEBA), and we applaud this Committee for its work on this bill. SEEBA includes sensible modifications of existing Small Business Administration loan guarantee programs (such as the SBA 7A and SBA 504 programs); an expansion of the Small Business Investment Corporation (SBIC); and the creation of a Renewable Fuel Capital Investment (RFCI) program – we support these measures as

smart and efficient ways to increase the flow of private capital to small businesses developing or acquiring energy-efficient technologies.

We would like to offer two comments on SEEBA based on our experience:

First, we recommend that the provisions offering more flexible loan terms (such as those that apply to Section 504 loans) be expanded to include more categories of business. As we understand it, the bill now applies to manufacturing businesses. We encourage the inclusion of small businesses in other categories as well – such as agriculture, real estate, construction and transportation – if they meet the standards in the bill for developing or acquiring energy-efficient technologies.

Second, we suggest a clarification that the more flexible loan terms provided by SEEBA are not limited to renewable "fuels". We believe that the intention of the bill is to support small businesses involved in a broad range of alternative energy, not just renewable fuel, and we read the definitions in the bill as consistent with that - but a clarification may be in order to avoid doubt. In particular, we encourage the committee to consider revising the name of its new capital investment program from the "Renewable Fuel Capital Investment Program" to the "Renewable Energy Capital Investment Program."

Moving beyond SEEBA, we suggest that Congress consider updating commodity support payments in the Farm Bill to encourage renewables and sustainable production. The U.S. agriculture industry is increasingly embracing the business opportunities provided by our need for alternative energy. We encourage Congress to make sure that the commodity support system doesn't inadvertently discourage the production of renewable fuels on our farmland, and that it specifically encourages the entry by small agriculture businesses into renewable energy production.

We also offer our perspective on the debate over measures to limit greenhouse gas emissions. We believe that economy-wide carbon emissions limitations would provide a clear signal spurring investment in commercial solutions to our energy needs. We think small businesses in particular would benefit from clear regulation in this area, as opposed to vague rules or uncertainty; and that a clear rule would unleash significant capital flow toward alternative energy development and therefore the creation of new small businesses and new jobs.

A final comment: I speak today not only as a co-founder of New Resource Bank and a member of its Board of Advisors, but also as a depositor – both personally and through my business Rock Creek Ventures -- and therefore as a representative of the New Resource community of bank depositors, which supplies the lion's share of the capital that New Resource Bank deploys. Our initial capital of $24.5 million came not from a few institutional investors but from about 200 individual investors, and that has now been significantly exceeded by funds provided by our depositors – over $75 million more in capital that New Resource Bank can deploy in support of its mission. Our depositors are attracted by our great service and product features like free worldwide ATM access. But

they've also come to our new bank from around the country, including Colorado, Illinois, Missouri, New York, Oregon, Tennessee, Texas, Virginia, Wisconsin, Washington state and Washington DC -- because regardless of whether they are from red states or blue states, they want to bank green.

We believe that many Americans are not only willing but eager to put their money behind the green revolution – supporting new businesses, innovation, and job creation around alternative energy and sustainability -- and your sustained leadership would be a vital component to building momentum behind these important goals..

Thank you for the opportunity to provide this testimony.

# THE AMERICAN INSTITUTE OF ARCHITECTS

STATEMENT OF
SUSAN MAXMAN, FAIA
DESIGN PRINCIPAL
SMP ARCHITECTS

## *"Building Green for Small Businesses"*

United States House of Representatives
Committee on Small Business

-

July 11, 2007
Rayburn House Office Building

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Madam Chairman, Members of the Committee — good morning. I am Susan Maxman, an architect, small business owner, and former president of the American Institute of Architects. Since nearly half of the AIA's members own or work for small firms, we appreciate all that this Committee does for small businesses.

Thousands of small businesses across the U.S. are realizing the environmental and economic benefits of going green. As an architect who has devoted much of her career to the cause of making the built environment more energy efficient, I am gratified to see how this issue has taken center stage in Congress and across the country. But I also see that there is much more we have to do.

According to the Department of Energy, buildings and their construction are responsible for nearly half of all greenhouse gas emissions produced in the U.S. every year. DOE reports that the building sector accounts for 39 percent of total U.S. energy consumption, more than both the transportation and industry sectors. The same study found that buildings in the United States alone account for 9.8 percent of carbon dioxide emissions worldwide. That equals nearly the same amount of carbon emissions as all sectors of the economies of Japan, France, and the United Kingdom combined.

The data shows that the building sector's impact on the environment is only going to grow over the coming decades. Currently, U.S. building stock sits at 300 billion square feet. Experts predict that between now and 2035, 52 billion square feet will be demolished, 150 billion square feet will be remodeled, and another 150 billion square feet will be newly constructed. If the United States wants to be a world leader on energy efficiency, our buildings *must* be a significant part of the discussion.

That is why the AIA has adopted a position stating that all new buildings and major renovations to existing buildings be designed to meet an immediate 50 percent reduction in fossil fuel-generated energy with further reductions until 2030, when all new and renovated buildings should achieve carbon neutrality.

The Senate responded to our call by requiring all new federal buildings to meet these goals as part of their recently passed energy bill. The House Committee on Oversight and Government reform has approved similar legislation.

Building green is critical to the effort to address greenhouse gases and reduce our dependence on foreign sources of energy. But it has another, equally important benefit: it is good for business – especially small businesses.

By using energy efficient building systems and technologies, businesses can reduce monthly energy bills, improve worker productivity, increase worker retention, and improve the well-being of building occupants. More, they can have a significant impact on the quality of life in their communities. As well businesses that care about their environmental footprint find that they have a competitive edge in the marketplace with the growing concern for the environment.

However, significant barriers remain for small businesses that want to go green. As an example, I would like to share with you my firm's experiences with a small entrepreneur in upstate New York.

We are working on the design of the Worden Hotel, a small 70 room luxury boutique hotel in the heart of Saratoga Springs, New York. The client came to our firm because they wanted a "green building". Our conceptual design included many "green" strategies such as geo-thermal heating

systems, green roofs, solar hot water heating and sequestered rain water for flushing toilets. When the conceptual budget was completed the client found that they could not afford to retain the geo-thermal heating and green roofs and make their proforma for investors work even with the reduction of room sizes and other cost cutting strategies. Though New York State has a very aggressive incentive program for energy conservation in buildings, it was not enough to offset the additional costs for a geo-thermal system that often has a ten year payback but can make a tremendous difference in energy consumption and environmental quality.

This is the story that we see over and over again. Small businesses and non-profits often cannot afford the initial capital investments required to create high performance buildings.

There are numerous studies that show that the initial costs of building green are often minimal and can be quickly recouped in the first few years of operation due to reduced energy costs. But it has been a challenge getting that message through a system where first costs are often the only thing that financial institutions see.

With that in mind, I would like to offer three areas where this Committee and Congress can help small businesses remain at the vanguard of creating a more sustainable environment.

First, we need to do more to help small businesses get financing to build green. I am pleased to see that the Senate-passed energy bill contains provisions directing the SBA to expand its programs to help small businesses become energy efficient. I would hope that this Committee can explore ways to make sure that these programs assist small businesses that wish to build energy efficient buildings, like the The Worden Hotel , by making financing for design and construction more easily available. The AIA stands ready and willing to work with the Committee to help make that happen.

Second, despite the benefits of energy efficiency, many small business owners are unaware of what they can do to make their buildings green. With technologies and materials constantly changing, it is easy for a small entrepreneur to get left behind. I believe that the federal government, particularly the SBA, can play a key role in helping educate small business about how they can become more energy efficient in a cost-effective way.

Finally, I believe this Committee can also help small businesses lead the way by ensuring that federal agencies that design and build buildings follow the law when it comes to hiring architects and engineers. For the last 35 years, the federal government has required that agencies procure architectural and engineering services based on which firms are the best qualified, not who is the lowest bidder. Thanks to this law, the federal government has benefited from the highest quality of design, and smaller firms have had a more level playing field.

But in recent years, more and more agencies are circumventing the law by putting design services on GSA's competitive schedules, and by bundling contracts in ways that give large corporations unfair advantages over smaller firms.

At a time when we are looking to the federal government to make its buildings more energy efficient, the last thing we should do is to lock out small design firms that are at the cutting edge of sustainable design.

Small businesses have always been at the forefront of innovation and progress in this country. With the help of this Committee, they can help us lead the way on designing and building a more sustainable future. Thank you Madam Chairman and members of the Committee, for giving me the opportunity to testify today.

**Statement of Bob Jones, on behalf of the**

**National Association of Home Builders**

**Before the**

**House Committee on Small Business**

**July 11, 2007**

Madame Chair and distinguished members of the Committee, thank you for the opportunity to testify on behalf of the National Association of Home Builders (NAHB). My name is Bob Jones and I am the Vice President and Secretary of NAHB, representing 235,000 members that, in turn, employ millions of individuals in the home building, remodeling, multifamily construction, property management, subcontracting, design, housing finance, building product manufacturing, and light commercial construction industries. I appreciate the opportunity to talk about the successes that I, and my fellow builders, have made in cultivating a progressive green building program that is producing energy- and resource-efficient homes throughout the United States.

**Introduction**

The majority of our nation's home builders are small businesses, and they are truly leading the way in the growing demand for green construction throughout the nation. NAHB members currently build about 80% of all new homes in the United States and, by the end of 2007, more than half of NAHB's members will be incorporating green practices into the development, design, and construction of these new units. The impact of housing on the economy of the United States is substantial – representing 16% of the U.S. GDP – and by encouraging growth in green building, our nation's home builders have the potential to profoundly affect energy efficiency and conserve precious natural resources and our environment.

NAHB members are leaders in the green building movement and were active on this effort long before the recent media interest in climate change and global warming. With the help of over 850 state and local Home Builder Associations (HBAs), NAHB has been working for over a decade on cultivating the growing interest in green home building, primarily through the leadership of the small businesses in our industry. In fact, NAHB has consistently been ahead of the curve in promoting and developing energy-efficient and environmentally-friendly construction techniques for the mainstream home builder and will be hosting its 10th Annual National Green Building Conference in New Orleans next year.

Based on a survey of NAHB home builders conducted last year by McGrawHill Construction, about 10% of the homes built in 2010 are expected to be green, containing at least three of six green building elements. Being green is not about being trendy, it is a holistic approach to how little impact the home has on the land, how conservatively it uses resources; and how it provides healthy, safe, and decent shelter to the homeowner or renter. Simply put, building green is building better. It means making intentional decisions that positively impact energy efficiency, resource conservation and indoor environmental quality throughout the entire

design and construction process. Green means doing the right thing for the builder, the homeowner, and, most importantly, the environment.

The recent strength and growth of green building is due in large part to its voluntary nature. Builders have the flexibility to incorporate the principles of sustainable design in innovative ways. The end result is a home that is both environmentally sound and affordable to home buyers. This is especially true for smaller builders, who may not have the economies of scale to access special building materials required under certain mandatory programs. Because of the current flexibility in green building options, smaller builders and big builders alike will be able to successfully adjust to the shifting market demand for greener homes.

**National Green Building Standard**

Working with more than 60 industry stakeholders, in January 2005 NAHB completed the *Model Green Home Building Guidelines* (the Guidelines). The Guidelines are a product of a year-long, consensus-based process involving input from architects and designers, environmentalists, builders, research consortia, and building product manufacturers. The shining hallmark of the Guidelines is that every aspect of the construction industry was involved in forming these criteria so that *every* builder, large and small, could easily adopt the practices. Most importantly, NAHB makes absolutely no profit from the promulgation of the Guidelines; they are entirely free of charge. I am proud to report that all of the benefits reaped from building a green home with the Guidelines go directly to the homeowner and, ultimately, to our environment.

The voluntary Guidelines contain six guiding principles that offer a variety of distinct line items from which builders (and operating HBAs) can choose, allowing them to be customized to reflect local geographic and climate conditions. These principles include the following:

- ***Lot Design, Preparation, and Development.*** Resource-efficient site design and development practices help reduce the environmental impacts and improve the energy performance of new homes. Siting that saves trees, incorporates onsite storm water retention/infiltration features, and orients the home to maximize passive solar heating and cooling are essential elements used in planning a green home.

- ***Resource Efficiency.*** Most successful green homes start at the design phase, which includes the selection of materials to be used in its construction. For example, engineered-wood products can help optimize material resources because more than 50% of the log is usable for structural lumber compared to conventional lumber. Resource efficiency also means reducing job-site waste by developing construction waste management plans. These waste management plans, which include recycling, can reduce normal average construction waste by at least two-thirds, thus reducing the burden on landfill space. Lastly, performing life-cycle analysis (LCA) on building materials will help to determine a more accurate impact on the environment. For example, materials

can be renewable, yet can be very energy-intensive when considering their transport to job-sites. The LCA process involves a "cradle to grade" philosophy and covers how the material is recovered, the product manufacturing process, the home building process, the maintenance and operation, the home demolition, and product reuse, recycling, and disposal. All of these facets combine to help builders choose the most resource-efficient products that have the least impact on the environment throughout the life of the home.

- ***Energy Efficiency.*** Energy consumption has profound impacts on our environment, from the mining of fossil fuels to the emissions of burning non-renewable energy sources. The impact of a home's energy use over time is a significant factor in how that home will impact the environment. Therefore, energy efficiency is heavily weighted in any green building program. The greatest results in energy efficiency come from a "whole systems" approach. Energy performance does not end with just increasing insulation, using renewable energy, or upgrading the HVAC equipment. Green homes must have a balance between these features and careful window placement, building envelope air sealing, duct sealing, and proper placement of air and vapor barriers from the foundation up to the attic. Once these features are incorporated into the green home, then it will truly be high-performing, energy efficient, less-expensive to operate, and more comfortable to live in than a conventionally-constructed home.

- ***Water Conservation.*** Implementing water conservation measures can reduce mean per capita water usage from 64 gallons per day to 45 gallons per day. Thus, green homes are especially welcome in areas affected by long- and short-term water supply issues. Green homes conserve water both inside and outside the home with more efficient water delivery systems, native and drought-resistant landscaping, and careful treatment of storm water and wastewater in the construction process. In fact, some communities gain additional benefits from builders using native species in landscaping and filtering and removing contaminants from storm water and wastewater in a green home.

- ***Indoor Environmental Quality.*** Healthy indoor environments are another hallmark of green building. Following energy efficiency, the quality of a home's indoor air is often recognized as the most important feature of a green home. There are measures that green home builders can take to mitigate the effects of potential contaminants by controlling the source, diluting the source, or capturing some of the source through filtration.

- ***Operation, Maintenance, and Homeowner Education.*** Inadequate or improper maintenance of a green home can defeat the designer and builder's best efforts to create a resource-efficient home. Failing to change air filters regularly, or neglecting to use kitchen and bath exhaust fans, are very common mistakes most homeowners make. Also, many homeowners are unaware of the impact of using common substances in and around the home, such as pesticides, fertilizers, and even common cleaning agents. By giving homeowners a manual that explains proper operation and maintenance procedures, information on alternatives to toxic cleaning and lawn and garden chemicals, and directs them to water-saving practices, a green home builder can help assure that the home functions as carefully as it was constructed.

Since its publication, the Guidelines have been successfully implemented by 20 state and local HBAs around the country, with the demand growing each day for new programs. Working off of this overwhelming success, NAHB agreed to collaborate with the International Code Council (ICC) in February 2007 to establish the first and only national consensus-based residential green construction standard that will be certified and accredited by the American National Standards Institute (ANSI). Based on the NAHB Guidelines, this standard will serve as the only *true* consensus-based industry standard for residential green construction in the United States.

As a national standard, ANSI requires consensus-based decision-making, opportunity for public comment, and other processes to help guarantee that the standard is acceptable to all members of the home building industry, as well as to those who regulate them. This process involves full participation from interested stakeholders who volunteer to sit on a Consensus Committee, and who provide advice and counsel on how to build a green home, how to verify and certify its integrity, and how to continuously update the standard to ensure improvement and rigor. A membership roster of the official Consensus Committee of the National Green Building Standard is attached to my statement.

You will note on this roster the membership of the U.S. Green Building Council, the U.S. Envrionmental Protection Agency, the U.S. Department of Energy, numerous city and state housing officials, product manufacturers, insulation manufacturers, architects, and some of the nation's largest production home builders, as well as small custom builders. All members provide their insight and input into this very open and transparent process. In fact, prior to the inaugural meeting of the Consensus Committee, on April 19-20, 2007, the NAHB Research Center, an ANSI-accredited research organization that is serving as the Secretariat for the standard, had received over 250 individual comments to the first draft.

A few of the benchmarks that could go into the national green building standard upon Committee agreement include:

- Demonstration that the home's heating and cooling units are correctly sized, according to the Air Conditioning Contractor's of America's Manual J, or another reference guide, to achieve higher energy efficiencies

- Achievement of minimum requirements set by the International Code Council's International Energy Conservation Code (IECC)

- Requirement for third-party review to verify design and compliance with an established energy efficiency program, such as Energy Star®

- Existence of many options for builders to achieve targets, by scoring points, in order to reach various compliance levels, i.e., embedded flexibility

The consensus process is advanced by the activity of "Task Groups" that serve the purpose of providing expertise on the specific topical areas for the standard. There are currently seven task groups: Administration and Points; Site Development and Global Impact; Resource Efficiency and Owner Education; Water Efficiency and Indoor Air Quality; Energy Efficiency; Multifamily; and Remodeling. These groups each review drafts of the standard and provide proposed changes in their specific areas that are then presented to the full Consensus Committee for consideration. The Consensus Committee has already held its first meeting in April 2007 and is scheduled to meet again in July in Washington, D.C.

Normally, standards development processes can take one to two years to complete, given the extensive public input that requires full consideration. However, the need to develop appropriate strategies to address growing environmental challenges like climate change has motivated our industry to commit to a fast-tracked standards process because we believe that it simply cannot be put off any longer. Because the Guidelines were developed in concert with such a large and diverse group of stakeholders, we can accelerate this process while still allowing time for required public comment.

Encompassing single- and multi-family construction, remodeling, and land development, the National Green Building Standard is expected to be completed in early 2008, an indication of the level of urgency with which the industry is approaching and addressing the issue. I am proud of the continued effort of the home building community to create the first comprehensive residential green construction standard that not only informs builders on how to build green, but also educates homeowners on how to operate their home in an energy- and resource-efficient manner. Ultimately, the goal is to develop a standard that is flexible enough to adjust to the various resource and energy concerns in the varying climate zones around the country, while at the same time encourage continued innovation in green technology that is already dramatically shifting the market. Green building should continue to exist in its most flexible form.

**National Green Building Program**

In order to address climate change, the most pressing environmental challenge of our time, the Board of Directors of the NAHB established policy to proactively seek to contribute to efforts to reduce greenhouse gas emissions by establishing a national green building program. With this charge, NAHB members have stepped up their national campaign to inform the public about the innumerable benefits of green building and sustainability in housing design. In this program, there is a substantial effort to market the green building standard as an effective alternative, and to monitor state and local legislative and regulatory activity to ensure builders retain the right to choose from the myriad of green building options and are not restricted to the sole use of one branded product over another. Viable green alternatives exist in the market today in both residential and commercial construction.

NAHB is making a substantial dollar investment in a National Green Building Program. The NAHB National Green Building Program will help push the green building envelope and encourage innovation in green construction for the millions of homes that are waiting to be built. As one architect recently stated at the NAHB National Green Building Conference in St. Louis, Missouri, by mandating one green building program to the exclusion of others, you create a "race to the bottom." At a time when the challenge of climate change is moving people to live, work, and function in a more environmentally responsible way, we need to have options to force green building technology to its limit. NAHB's National Green Building Program will provide those options for all builders and, most importantly, will seek to inform current homeowners about how they can improve existing homes with green remodeling, making home occupation and maintenance just as efficient as new home construction.

**Recommendations/Outlook**

As the Committee reviews options for how the federal government can help move us towards sustainability, it is important to consider the efforts of small businesses in the home building industry and how they are helping drive momentum in ways that are already moving the market. The task of reducing greenhouse gas emissions from buildings and homes is already beginning and the stewardship of the Congress in this matter will be increasingly important. Congress has the great opportunity to create avenues for extensive innovation in green construction by keeping the market fluid, free of mandates, and striving towards the greatest energy- and resource-efficient buildings available.

The green building movement is shaping our industry in a tremendous way. To date, more than 100,000 green homes have been built in voluntary programs, 2,000 have been certified to Guidelines-based programs and thousands more are waiting. The healthy competition in the market is driving demand. Within three years, almost 10% of this nation's new homes will be green. As consumer awareness and education increases, and as green supplies and materials become easier to obtain, more and more builders will take advantage of educational opportunities offered by NAHB and other organizations.

There are a number of important ways that Congress can provide incentives for builders to push the envelope and build greener and more efficient homes. First, Congress should extend and expand the tax credits for new energy efficient home construction that passed as part of the Energy Policy Act of 2005. In practice, the short duration practically prevents them from operating as true incentives. The home building process can take years, in some cases, in order to plan, access materials, work with homebuyers, and finally construct the home. With only two to three years to use a $2,000 tax credit, most builders have not been able to take advantage of it. Longer duration of the tax credit period and a higher incentive will drive even more builders, particularly smaller builders, to achieve the significant above-code benchmarks.

Congress can also allocate funds for providing education and training in green construction on a broader scale. Builders are leading the way and are in a unique position to educate and inform both the public and the industry about the success of cultivating green construction practices and using the market to drive innovation. Legislation has been introduced in the House that proposes to fund a grant to undertake this type of green education for architects, engineers, and developers, with the guidance of a federal agency. If Congress decides to pursue this, that process needs to be as open as possible, and available to all groups,

particularly those representing small businesses, since they are actually engaged in developing the innovation.

Lastly, Congress can provide incentives for homeowners and homebuyer education that will help promote awareness of the benefits of green and sustainable construction. A concerted national education campaign with information available for future homebuyers about options for green construction would be helpful to show consumers the options they have when purchasing or remodeling what most Americans hold as their biggest store of personal wealth: their home.

Above all, I caution the Committee and Congress against mandating only specific green rating systems to the exclusion of others. Green practices and sustainability are incredibly important in the battle against climate change, and we feel that builders need to have access to as many options as possible. Many green building alternatives already exist, and with awareness increasing every day about the benefits of green homes, additional programs are likely to be added in the marketplace.

**Conclusion**

NAHB members have shown that green building is both proactive and profitable, primarily because current programs have been allowed to thrive and shift to meet specific conservation needs in a geographic area. Our industry's commitment to developing a rigorous standard, with valuable input from diverse disciplines, will produce certifiable benchmarks for measuring a home's energy and resource efficiency for years to come. The standard will also include a green remodeling component to address the serious needs of upgrading existing homes, many of which were not built with energy or resource efficiency in mind. NAHB believes that there must be a viable path to elevate the 120 million existing homes into greater environmental and energy efficient operation. The National Green Building Standard can provide that pathway.

NAHB supports and encourages energy efficiency and green building. We support a national green building program that is flexible and market-driven, encourages continued growth in green construction that protects options for builders, particularly smaller builders in all markets, as well as preserves, protects, and promotes the health of our environment. Home builders are having great success with the green building movement, in which they have been engaged for years. The commitment of the home building industry to energy and resource efficiency in construction is evidenced by our Guidelines, the development of the first and only residential green building standard, and our national campaign. Thank you for the opportunity to present the views of the National Association of Home Builders. I look forward to any questions you may have for me.

# *Small Businesses at the Forefront of the Green Revolution: What More Needs to Be Done to Keep Them Here?"*

**Testimony of Mary Beth McGrew, M. Arch., University Architect and Associate Vice President, University Planning and Design, University of Cincinnati**

**Before the House Small Business Committee**

**July 11, 2007**

## *Introduction*

Madame Chairwoman, Congressman Chabot, and other Members of the Committee, thank you for the opportunity to testify before you today on the University of Cincinnati's Green building efforts and the relationship of these efforts to small businesses. Small businesses can benefit from being selected for services and/ or products that meet our green specifications.

Located in the heart of Cincinnati's Uptown, the University of Cincinnati is a first-tier public research university with 36,000 students, and is the largest employer in the Cincinnati region. The University has made great strides in the area of green construction with our new buildings and we are learning more and more each day that we can apply to our future design, construction and renovation projects along with the maintenance and operations of our facilities. The University is a like a city and like cities we are looking at the interconnectedness of problems and learning how to look at them with a broad base of understanding. We want the University of Cincinnati to be a healthy, pleasant place to learn and live and a benefit to the small businesses in the area. Buildings are a just one part, although a major part of the university's interest in sustainability. There are opportunities for small businesses in our purchasing practices as well. As the University develops its green strategies they will have a need for green products and services. Many of these products and services can be sourced through small businesses.

Recognizing its environmental stewardship role, the University seeks to incorporate the concept of sustainability into its academic and research programs; the design, operation and maintenance of its buildings and landscapes; and its organizational structure and management while preserving safety and comfort. The University recognizes that sustainability is a multi-disciplinary, holistic concept that seeks to achieve harmony between human activities and natural systems by minimizing resource consumption without loss of quality in an effort to preserve natural resources for future generations.

## *Why did we decide to go with Green Construction for our new buildings?*

During the past 16 years of construction at the University, over 48% of our campus has been transformed. This amount of construction has produced a cohesive and coherent assembly of new and renovated buildings, recreation facilities, improved residential environments, athletic and performance venues and sculpted landscapes and plazas.

The U.S. Green Building Council reports that buildings account for the following:

- 37% of total energy use
- 65% of electricity consumption
- 30% of greenhouse gas emissions
- 30% of raw materials use
- 30% of waste output

- 12% of potable water consumption

Embracing "green construction" for our new buildings was the right thing to do for our campus community. Economically it should have paybacks in energy savings. It moves the University forward in the responsible use of our natural resources and, finally, it is a responsible thing to do for our current citizens and for future generations. We see that society, business, the environment and the economy are all interconnected. The University physical campus has a role in the education of the campus community and the incorporation of green building principles is an educational opportunity for the campus.

The Leadership in Energy and Environmental Design (LEED) Green Building Rating System is the nationally accepted benchmark for the design, construction and operation of high performance green buildings. LEED provided the University with a tool to look at the design and construction of our buildings. LEED promoted the whole-building approach to sustainability by recognizing performance in five key areas: sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality.

Currently we have the Joseph A. Steger Student Center Certified and Varsity Village Certified. The Campus Recreation Center is in progress and The Center for Academic and Research Excellence (CARE) is to be submitted for certification in 2008.

***How local and or small businesses are involved in the processes***

The building industry, according to the USGBC represents the largest economic sector in the U.S. and the second largest manufacturing sector. Green Building is very directly concerned with regionally-specific issues and so there are natural links to local and small businesses. Small industries that make the materials green buildings use will grow as demand rises. In our projects, construction waste was recycled by local companies. Many materials used in the construction were required to be from a local or regional area. The site development required capturing rainwater, use of native plants for landscaping and knowledge of local methods for protecting the site during construction. We support the City's transportation system by negotiating for faculty, staff and students to ride at no cost to them. The University is involved in collaborations for the successful development and use of new technologies and processes that contribute to better buildings. These are just a few of the opportunities for green buildings and local small businesses to link.

Ohio is home to 21, 250 manufacturing companies and Cincinnati ranks sixth in the US for manufacturing jobs, according to the Ohio Business Development Coalition. These manufacturing companies and the green building industry can and will benefit each other.

Construction of green buildings at UC currently benefits small business in a number of ways:

1. Small companies with the right knowledge base can benefit from green construction practices. For example, at the time the Recreation Center at the University was being commissioned to be sure all the systems worked as designed, the firm BC&E Engineering was a single person shop.

2. Local small businesses can supply green goods and services to our 30,000 plus customers at the University.

3. Contractors and construction companies learn to use the tools of the green building trade when they design, build and/or help maintain green Buildings for UC. Building green buildings is not always the same as building traditional buildings although when complete the buildings may look the same. The companies that work for UC will learn and use what they have learned when they work for other small businesses in Ohio and elsewhere. The businesses involved with these efforts will have more experience, and may have a competitive edge on future building efforts for their other customers. For example, there was a need for a sports floor produced in part, with post consumer waste that needed to be applied with a solvent free adhesive. The Cincinnati Floor Company developed just such a product. It was both local and green. Another example is the waste generated during construction went to local companies for recycling.

4. Students that live and learn at UC will learn about and enjoy the green buildings at UC. They will take higher expectations for sustainability with them when leave the university and join small businesses. UC students are the future of small business, and their experience with green buildings should serve to advance sustainability efforts for many years to come, benefiting those who can take advantage of the technology.

5. Direct communication and the media will move positive information about the Sustainability efforts at UC to the public. These efforts work to meet the public's expectations for top quality educational facilities.

6. Building "green" will help reduce the resources consumed to achieve a better product. Lower resource consumption will help hold down the cost of energy, waste disposal and future construction needs. Lower demand on resources helps keep the price of those resources down for all.

## *Next Steps for the University of Cincinnati*

The University is currently engaged in a number of activities to move our sustainability efforts forward. We have recently started programming upgrades in our engineering systems that will pay for themselves in just a few years because of reduced utilities. We have launched energy management programs, partnered with the U.S. EPA through its voluntary Energy Star programs for purchasing equipment with superior energy efficiency. Just a couple of months ago our President, Dr. Nancy Zimpher, signed the **"President's Climate Commitment,"** "...a high-visibility effort to make campuses more sustainable and address global warming by garnering institutional commitments to reduce and ultimately neutralize greenhouse gas emissions on campus and to accelerate the research and educational efforts of higher education to equip society to re-stabilize the earth's climate." President Zimpher is one of over 300 presidents and chancellors across the country who have signed on to this commitment. This document represents universities' commitment to environmental issues in the broadest of ways. Over the coming decades the University will be looking at education, economy and the environment in new ways. We are already engaged in education and research activities related to climate change and sustainability and we are looking to future collaborations that bring together education, research and local businesses. We are looking at our upstream environmental impacts and supply chain environmental management. The University represents over 30,000 customers, so we can have some influence that benefits local small businesses.

I hope this provides you with a glimpse of the efforts we are undertaking at the University of Cincinnati to build a sustainable campus that will provide community, financial and environmental dividends for years to come. Thank you again for this opportunity and I would be happy to respond to any questions you might have.

STANFORD
GRADUATE SCHOOL OF BUSINESS
STANFORD SOCIAL INNOVATION *review*

## What Works

# Green for Green: An innovative bank supports environmentally friendly business

By Carolyn Said

Stanford Social Innovation Review
Summer 2007

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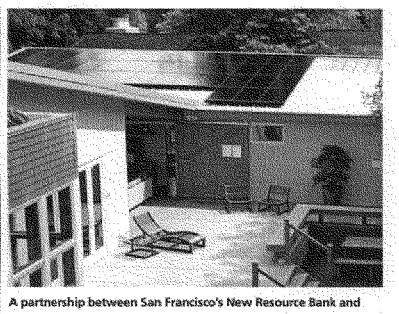
# Green for Green

## An innovative bank supports environmentally friendly businesses

*by Carolyn Said*



**A partnership between San Francisco's New Resource Bank and San Jose's SunPower takes the bite out of paying for solar panels. The bank attracts eco-conscious customers.**

PHOTOGRAPH: COURTESY OF SUNPOWER

PETER LIU STARTED HIS working life as an engineer at the oil giant Chevron Corp., where he designed petrochemical plants. The experience turned him into an avid environmentalist. Several years later, it also led him to co-found New Resource Bank, which calls itself the nation's first "green" commercial bank. The bank opened in the fall of 2006 in San Francisco, and not only offers standard banking services, but also boasts in-depth knowledge of green industries. This knowledge will allow the bank to do a better job of assessing risk and underwriting loans to these businesses, says Liu, New Resource's co-chairman.

Soft-spoken and diplomatic, Liu carefully describes how his first job raised his awareness of environmental issues. "When I first came out of college [the University of California, Berkeley], I had no interest in the environment," he says. "I'm from an immigrant family [from Taiwan] so my first job was a very practical one for a chemical engineer/materials science engineer major."

During his two-and-a-half-year stint at Chevron, Liu saw that different state regulations meant there were big discrepancies in cleanliness between various plants. "Refineries here in California are very clean, very safe," he says. "Then you have refineries in the Gulf Coast area owned by the same company that are somewhat different. Highway 10 here in California goes across some pretty great neighborhoods, including Orange County. Highway 10 on the Gulf Coast is an area that's called Cancer Alley. From Texas to Louisiana, it's a corridor with the highest concentration of refineries and chemical processing plants" – and also high cancer rates.

Liu left Chevron to work for the California Air Resources Board, where he helped write regulations to put the California Clean Air Act into practice. He went on to earn a master's in public policy at Princeton University's Woodrow Wilson School of Public and International Affairs, then worked on energy sector transactions and other projects at Chase Manhattan Bank and Credit Suisse First Boston in New York City. Returning to California, he immersed himself in efforts to promote business and the environment. When the state of California decided to get into green investing through its two large pension funds, he advised it on "green wave" projects.

Through these various experiences, Liu recognized the need for a bank that serves businesses developing clean technologies, entrepreneurs specializing in ecologically friendly industries, and consumers concerned about the environment. Combining his banking and environmental skills, Liu partnered with co-founder Daniel Yohannes to launch New Resource Bank. Yohannes was previously vice chairman at U.S. Bank, the nation's seventh largest bank.

### Building the Bank

Liu drew inspiration for New Resource Bank from two banks that had successfully pursued niche markets. One is Silicon Valley Bank in Santa Clara, Calif., which prospered by focusing on local technology and bioscience businesses. The other is the Netherlands' Triodos Bank, which finances projects with social and environmental benefits. Roger Smith, a former CEO of Silicon Valley Bank, came aboard as a New Resource founding investor, as did Triodos.

In March 2005, these two, along with 24 other early stage investors, each put up $50,000 to $100,000, for a total of $1.65 million in seed capital. New Resource used the money to put together an exhaustive application to regulators, to hire initial

**GROWING GREEN INSTITUTIONS**

- Borrow successful strategies from un-green competitors
- Build credibility by hiring experienced managers and directors
- Offer a suite of values-based products

management, and to design and build the bank's first office. "That was truly at-risk capital," Liu said. "If regulators had not approved our application, that money would have been spent with nothing to show for it." The bank's novel focus turned out to be a selling point. Both state and federal regulators reacted positively to the bank's business plan and granted their approval by April 2006.

The next step was to raise capital. Liu says the premise sold itself, helping to attract the needed funds. "The idea [of a green bank] is one that many people identify with as powerful and timely," he says. In the end, New Resource had to turn away money. It drew $35 million in investments but had to give back $10 million because regulators required that it adhere to its original business plan. New Resource accepted $24.75 million from 240 founding shareholders, largely individuals who put in from $10,000 to $1 million. That capital gives the bank the potential to grow to $300 million in assets because it's allowed a 12-1 ratio between equity and assets.

"I've done a lot of financing in 20 years," says Bob Epstein, one of the original 26 investors, "and I've never seen [a new venture] that had this many people interested." Epstein is co-founder of Sybase, an $800 million software company, and Environmental Entrepreneurs, an environmental advocacy group composed of businesspeople.

The other investors are a who's who of business and environmental experts, including the former president of the Organic Trade Association and the founders or co-founders of Lotus Development, Brightmail, Ofoto, SunPower Corp., W.R. Hambrecht, and Mendocino Wine Co.

With money in hand, the bank next created its technology infrastructure – a massive undertaking. "[Processing payments], whether through ATM, check, payroll, or purchases, has to be secure and compliant with regulations," says Liu. "It puts banks under a tremendous burden of compliance."

## Capturing Customers

By fall 2006, the bank was ready to open. New Resource outfitted its San Francisco storefront with energy-efficient systems, carpets made from recycled materials, and furniture fashioned from sustainably harvested wood. The founders marked the official opening not by cutting a ribbon, but by snipping a fragrant garland of ferns and herbs – a small symbol of the ways they hope to be different from other banks.

As of January 2007, the bank had 250 depositors who hailed from all over the country and even Europe. Liu says that many customers came because they liked the idea that their money will support green businesses. One of these is Dave Kent, co-founder and co-owner of Berkeley Mills, a custom furniture maker that built tables for the bank's reception area. Kent opened a business account at New Resource Bank for his 55-person company. The bank's mission is "true to my heart," says Kent. "I'm excited to be included in the circle of people supporting them."

In another sign that the bank's mission is resonating with the community, New Resource secured a business partnership with solar power giant SunPower of San Jose, Calif. SunPower selected the bank as its preferred lender for residential customers. Installing solar panels on homes costs from $20,000 to $40,000. Homeowners can get financing from New Resource that matches their monthly payments to the amount they save on their electricity bill, making the pricey installations more affordable. With California offering incentives for solar installations, and with Americans more concerned about the environment, Liu expects the SunPower agreement to generate tens of millions of dollars in loans over the next couple of years.

Another distinguishing feature of New Resource Bank is its community rewards Visa card, which generates 3 to 5 cents in donations for community nonprofits each time it is used. The first nonprofit to receive funds is Marin Organic, an organization that promotes sustainable agriculture in Marin County, north of San Francisco.

The bank also offers the standard array of consumer services – including deposits, CDs and lending, online bill payment, and fund/wire transfers – and standard business services – including deposits, lending, real estate development loans, payroll services, and payment and collection services.

It's still early to gauge the bank's success, although Liu says it's running 10 percent ahead of projections. Like many new banks, it expects to turn a profit in its second year.

Experts say green technology is a market poised for explosive growth. Venture capitalists poured $2.29 billion into clean technology in the first nine months of 2006 – more than double the $1.1 billion from the same period in 2005 – according to the Cleantech Venture Network. And that doesn't even account for other target markets such as sustainable agriculture and organics.

The growing desire of consumers and businesses to vote with their pocketbooks could also contribute to the future success of New Resource Bank. "Banking is tough," says Joe Morford, a banking analyst with RBC Capital Markets in San Francisco. "Everyone can make loans and everyone can offer checking accounts. You need to stand out and give customers a reason to come in the door. It seems like the [environmental] community might be more willing to give their business to someone who shares similar values." □

California Banker/March 2007

Member Profile

# Daniel Yohannes:
## Redefining the future of banking

*Editor's note: Daniel Yohannes is chairman of New Resource Bank in San Francisco*

**Q: Daniel, please tell me briefly about your background before joining New Resource Bank. The bank was founded on the premise of targeting "green" industries and the people who value them. What was the incentive behind starting such a bank and how has the bank succeeded in this undertaking?**

I had just retired from U.S. Bank as its vice chairman, having joined the bank when it had $16 billion in assets in 1992. I was a member of the senior management team that helped grow the bank to $180 billion in 2003. I believe that green and sustainability is the new proxy for economic success as exemplified by sectors such as clean energy, organics and green buildings. These are some of the fastest growing sectors in our economy. As Thomas Friedman, the *New York Times* columnist puts it, "Green is the new red, white and blue."

Our goals in starting the bank were to deliver a new standard in customer service and to do more with our depositors' money by helping to finance sustainable resources in our community. Our initial results after our first quarter of operations have been great, and we are ahead of our plans on new customers, deposits and loans.

**Q. What are some important programs taking place at the bank that involve the mission of helping grow green and sustainable business through knowledgeable solutions?**

We have implemented some exciting financing programs with great clients to help them grow sales. For example, we rolled out an innovative customer solar financing program with Sunpower, an industry leader that makes the most efficient commercially available solar modules. We also have worked with our community business clients to help them benefit from green resources and connections. For example, our senior vice president of construction and real estate lending brought conventional real estate developers to green building conferences, where they learned how green can be strong, green can be beautiful and green can be marketable. The real estate developer of our first construction loan has decided to achieve a LEED certification (the US Green Building Council's Leadership in Energy and Environmental Designs) for its project.

**Q. Are there expansion opportunities planned for New Resource Bank?**

We believe this bank has great opportunities to grow. Our community is not defined just by a ZIP code, but also by interest and values. There are are a variety of other communities in our state and in the country that similarly embrace green and sustainability, like the San Francisco Bay area. We already have communities that have called upon us to open banks in their city or region. However, we will be very prudent with our expansion. Technology has helped us to reach our customers and provide conveneint customer service.

**Q: How has New Resource Bank set an example for all to live by? Have employees played a part in the green revolution? Where else to [sic] you see the bank's mission coming alive in the future?**

We try not to oversell our importance. Our clients are the entrepreneurs and organizations that are truly promoting healthier, more sustainable and more efficient options in the marketplace. We owe them our best in terms of knowledgeable service and financing.

We certainly focus on being on the cutting edge in terms of our own operations. Our office has been designed to the standards of a LEED Gold certification. In addition to having a space that our employees love, we actually saved money on green options.

Our founders, team and shareholders include leaders in green businesses and green investing. When we are successful, I hope we can serve further notice that sustainability and efficiency can equal prosperity. **CB**

Calif. Start-Up Gives Niche Strategy a (Green) Twist

American Banker Friday, October 13, 2006
By Jim Cole

Former U.S. Bancorp vice chairman Daniel Yohannes has joined several veterans of the San Francisco financial community to launch what they call the country's first commercial bank targeting green industries.

Peter K. Liu, vice chairman and chief business development officer of New Resource Bank, said he came up with the concept about 18 months ago.

The one-branch bank, which opened in San Francisco last month with initial capital of $24.8 million, blends the niche banking strategy of SVB Financial Group of Santa Clara, Calif., with a green banking concept flourishing in Europe, he said.

"We've seen a real rush of smart money into green and clean investing. This is part of a market opportunity that evolved from a movement," Mr. Liu, a former vice president in Credit Suisse First Boston LLC's global energy group, said in an interview Wednesday.

Environmental groups such as the Rainforest Action Network have been waging noisy campaigns to pressure the largest banking companies, including Wells Fargo & Co. of San Francisco, to do more to protect the environment. At least 41 large companies, including Wells Fargo, HSBC Holdings PLC, and Citigroup Inc., have signed the Equator Principles, which set guidelines for reviewing the environmental impact on multimillion loans.

New Resource plans to focus on lending to small and midsize businesses. It will seek opportunities among environmentally friendly businesses, "as exemplified by companies in the organic, clean energy, and green real estate sectors," according to the prospectus for the bank's initial share offering, which was completed last month.

The founders include chief executive Clay Jones, a former senior vice president in the venture banking group of Greater Bay Bancorp in East Palo Alto; director Robert Epstein, a co-founder of Sybase Inc. and Environmental Entrepreneurs, a professional network focused on green business opportunities; and Mr. Yohannes, who retired in 2003 as a vice chairman at U.S. Bancorp. He ran the commercial banking and consumer banking group after Firstar Corp. bought the old U.S. Bancorp in 2001.

An early investor in New Resource is Roger Smith, one of the founders of SVB Financial, which serves primarily start-ups backed by venture capital. He retired from SVB, then Silicon Valley Bancshares, in 1994.

"It's so hard to be just another bank. The reason I'm an investor is I like the niche play. I think this green movement is really going to take off, and I really like Clay Jones," Mr. Smith said Wednesday.

Mr. Yohannes, New Resource's chairman, said in an interview last week, "If we'd done something like this seven or maybe eight years ago, it probably would not have gotten a lot of support. But right now it gets considerable support, because a lot of businesses are emerging throughout the country, and a lot of people are supporting it, because they identify with the lifestyle."

Mr. Liu said he came up with the idea for the bank in 2004 while working on a green investing policy for two giant public-sector pension funds, the California Public Employees' Retirement System and the California State Teachers' Retirement System.

**Innovators** Global Warming's Big Thinkers

## Peter Liu

Eco-entrepreneurs can seek funding at New Resource Bank, where the bankers are as green as the money

**BANKER** **Thanks to Peter Liu,** those who want to do right by the environment have a bank that will help them. Liu is financing environmentally savvy, resource-efficient ventures at the nation's first commercial bank aimed at green businesses, New Resource Bank in San Francisco. "Sustainability has become a major market force," says Liu, 41, the bank's founder and vice chairman.

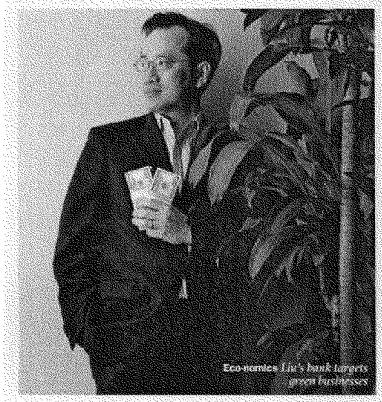
New Resource operates as a full-service community bank, and anyone is welcome to walk through its recycled-glass doors. But the deposits are used to finance loans for environmentally conscious projects, including alternative energy, clean tech, organic farming and sustainable home and office construction. A special lending program enables green builders to get lower interest rates, while home owners can finance solar-power installations for about the same cost as their monthly electricity bill.

Not surprisingly, San Francisco's new bank appeals first to customers who have already earned their green credentials. "We want to be working with people who have similar ideals," says Michelle Kaufmann, an architect known for her stylish prefab homes made from environmentally sound materials.

Just six months old and with nearly $60 million in assets so far, the community bank is already attracting like-minded depositors in states as far away as New York, Massachusetts, Virginia and Texas, and Liu has plans to expand throughout the U.S.

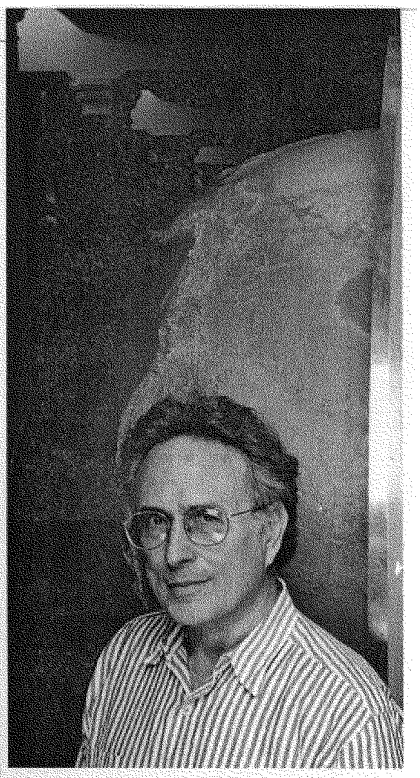
The bank has the deep pockets to fund expansion. Its initial $24.75 million stock offering was vastly oversubscribed. No wonder: funding green startups has become as popular in Silicon Valley as luxury SUVs, so New Resource has inside investors like Bob Hambrecht, managing director of WR Hambrecht & Co.; Daniel Yohannes, U.S. Bank's former vice chairman; and the founders of Sybase and Lotus Development.

And after all, nothing is as green as money. **—BY LAURA LOCKE**



**Eco-nomics** *Liu's bank targets green businesses*

THOMAS BROEMING FOR TIME



## Robert Socolow and Stephen Pacala

These Princeton profs have a plan for limiting carbon emissions one step at a time with current technology

**STRATEGISTS** **While the solution** to global warming seems daunt-ingly complex, physicist Robert Socolow and ecologist Stephen Pacala have come up with a remarkably straightforward way of approaching it. To stabilize the world's carbon emissions, they propose not chasing a single magic bullet but harnessing seven different categories of reduction, using available technology. Their goal is to draw a road map for reducing $CO_2$ emissions that is both realistic and effective.

Each of the strategies they have identified could prevent a total of 25 billion tons of emissions by 2056. (We're now

JONATHAN SALUDES FOR TIME