

## **HISTORIC HIGH-RISE REACHES TOP SUSTAINABILITY LEVEL**

*REAL ESTATE: Pac Mutual rated Platinum after Rising's \$25 million renovation.*

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As it nears completion of a major restoration project, the Pac Mutual building in downtown Los Angeles has reached an unexpected milestone: Earlier this month, the historic property was certified LEED Platinum, the highest sustainability ranking given by the U.S. Green Building Council.

The building, constructed in 1908 with major additions in 1921 and 1928, is now the oldest and only historic building in Los Angeles to be designated a Leader in Energy and Environmental Design at the platinum level.

Downtown L.A. real estate company Rising Realty Partners bought the Pac Mutual building, at 523 W. Sixth St. and overlooking Pershing Square, for \$60 million in 2012. Since then, it has spent nearly \$25 million to reposition and upgrade the building.

Christopher Rising, the company's president and chief operating officer, said that from the outset of the pricy renovation process, one of the company's biggest goals was to improve the property's environmental standing. Still, he was surprised by the outcome.

"Quite frankly, we were hoping for LEED Gold," he said, the second-best ranking in the certification spectrum. "We weren't sure it was possible to take a 100-year-old building and make it LEED Platinum."

The milestone for the Pac Mutual building comes at a time when California landlords are increasingly working to improve the energy efficiency of their buildings, spurred in large part by the state's stringent energy codes. Last week, the Green Building Council ranked California fifth in the nation – tied with New York – for LEED certification on a per capita square-foot basis. In 2013, nearly 73 million square feet of real estate was certified in California, of which more than 20.6 million square feet was for buildings in Los Angeles County.

It was not possible to extract the added cost of platinum LEED certification from the \$25 million Rising spent on the rehab, though seeking certification certainly came at a premium.

“The building went through a comprehensive energy audit and also an assessment of the indoor air quality,” said Seth Strongin, sustainability manager for Leading Edge Consultants in Tarzana who worked with Rising to help certify the Pac Mutual building. “Those are expenses they arguably did specifically for LEED certification.”

But however popular it might be to certify buildings – 253 in Los Angeles gained or upgraded certification last year – could it possibly be worth the expense?

[Mario Camara](#), a real estate attorney at [Cox Castle & Nicholson](#) in Century City, said most landlords find that having some level of LEED certification can prove financially beneficial for reasons beyond saving on water and power bills. It's also a marketing tool that is a proven way to attract and retain tenants.

“It's something that, generally speaking, users of the building find desirable, a definite plus,” he said.

Still, he warned, landlords can't expect major investments in certification to pay off over the short term.

“Whether or not it pays off on a cash-flow basis immediately is questionable,” he said.

While most new construction is designed with some level of LEED certification in mind, it can be a much more intensive, expensive process to retrofit an existing building to repair or replace entire plumbing or ventilation systems or reconfiguring structural elements to meet certification standards.

In addition to implementing various recycling and green maintenance programs, Rising replaced the 425,000-square-foot building's aging boiler and upgraded the HVAC and plumbing systems. It also purchased renewable energy credits to offset 100 percent of the energy the building consumes.

The level of LEED certification a building is awarded is determined by a 100-point scale scored among five major categories: site sustainability, water efficiency, energy performance, materials and resources, and indoor environmental quality. To score at the platinum level, a building must gain 80 or more points. Gold requires between 60 and 79 points, silver requires between 50 and 59.

Six other retrofitted office buildings in Los Angeles have succeeded in scoring high enough to be awarded LEED Platinum certification, including Ernst & Young Plaza at 725 S. Figueroa St., Two California Plaza at 350 S. Grand Ave. and 550 S. Hope St.

Rising said his firm was left with the kind of building that's appealing to coveted creative tenants. The building, only 68 percent leased at the time of sale, is now about 90 percent leased to such tenants as online fashion retailer Nasty Gal and visual effects firm Magnopus.

While rents are higher for tenants who've signed more recently, the average rent for the building, which includes legacy tenants, remains at the lower end of the rates charged in the Class A downtown market.

Rent at Pac Mutual is about \$2.98 a square foot a month, according to CoStar Group Inc., well below the fourth quarter market average of \$3.16 a foot.

So while there is a price advantage, which Rising has pitched as a lure to tenants like Nasty Gal seeking open creative space, LEED certification is an added lure.

"There's no doubt in the world we live in today that tenants, especially here in Southern California, want to be in LEED Platinum building," Rising said.