MEMO

To: Mayor and City Council

From: Bill Walton, Human Resources, Risk Manager

Date: November 20, 2024

Subject: LEED Certified Buildings and Insurance Rates

BACKGROUND:

At the meeting on April 23, 2024, City Council directed staff to address the effect LEED Certification had on insurance rates.

INSURANCE RATE CALCULATION:

Commercial property insurance rates are determined by several factors. These factors include location of the property, construction, age, equipment, occupancy, industry and protection. Insurance cost is based on the Total Insurable Value (TIV) of the buildings. TIV includes the building and its contents. For the purposes of this memo City staff will address the factors affected by LEED Certification, construction and equipment.

LEED Certification requires the use of green-certified materials in construction. These materials are typically more expensive than their non-green counterparts. It has been estimated that constructing a building to meet LEED requirements could add anywhere from 10% to 30% to the cost of the project. If a severe storm caused damage to the LEED building, repair costs would therefore be higher. Insurance companies take this into account when determining their premium rates.

Energy efficiency is also a part of LEED Certification. The use of geo-thermal systems is typical in green building construction. This equipment may also be more costly than its conventional counterparts. Like green-certified materials, this adds to the final cost of construction and is considered by the insurance company when determining TIV. Solar

arrays are another method of achieving energy efficiency. These also need to be insured and add to the cost of insurance.

CONCLUSION:

Constructing a building to meet LEED Certification requirements does not provide any insurance premium savings to the City. In actuality, the cost of meeting LEED Certification adds to the Total Insured Value of a property. This increase would raise the cost of insurance on a building meeting LEED Certification requirements.