

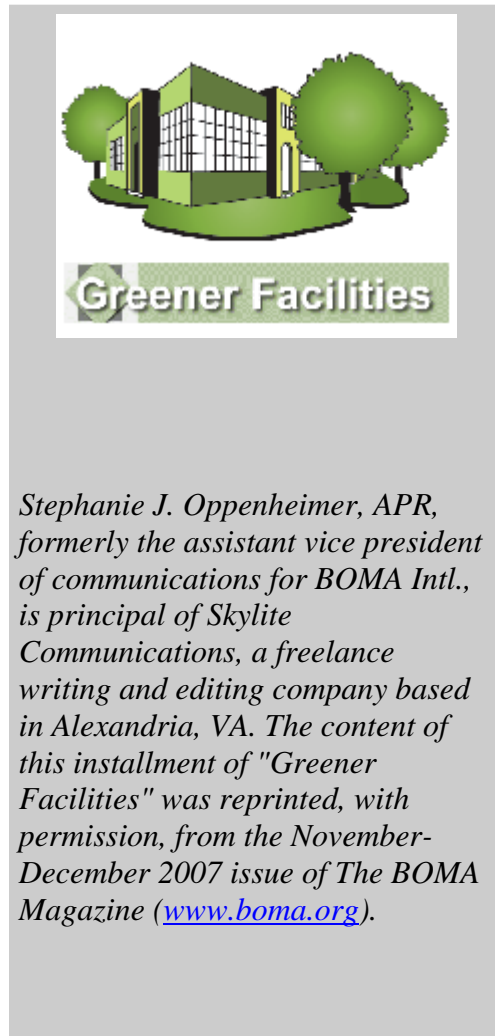
BOMA Intl. Announces Market Transformation Energy Plan

By Stephanie J. Oppenheimer

No matter where you turn, warnings of global warming abound. Melting glaciers, rising oceans, stranded polar bears, droughts, and hurricanes have all been blamed on an issue that some fear has irreparably changed our world and that others dismiss as voodoo science. But, regardless of where you stand, the issue is not going away, and business leaders worldwide are increasingly looking to the commercial real estate industry for solutions. Their focus is not misdirected: Our industry contributes nearly 20 percent of U.S. greenhouse-gas (GHG) emissions, and the \$24 billion we spend on energy every year means that any reductions we make can have a dramatic impact on our bottom lines.

"Forget the science of global warming," says BOMA Intl.'s Chairman and Chief Elected Officer Brenna S. Walraven, "and we're still left with the fact that more and more companies see global warming and climate change as a business risk, particularly for those organizations with international ties. Increasingly, business and the public sector are requiring better performance from real estate - real estate that uses less natural resources, wastes less, has better indoor air quality, and, thus, costs less to occupy. If we expect to remain competitive, we must improve our performance."

BOMA Intl. recognized early on that combating global warming, improving energy efficiency, and going green were no passing fads, and the association has been rolling out program after program to help its members - and the industry - make serious inroads into improving their efficiencies, cutting their utility expenses, and reducing their carbon footprint. In July,



BOMA issued perhaps its biggest challenge for commercial real estate professionals to date: to improve energy efficiency across their portfolios by 30 percent by 2012. The plan, dubbed the "Market Transformation Energy Plan" and "7-Point Challenge" (see "Call to Action," below), urges the industry to reduce its use of natural resources, nonrenewable energy sources, and waste production, and work in coordination with building management, ownership, and tenants. "We must accept this challenge today and make our commitment to improving our financial and environmental performance more public," adds Walraven, whose company, USAA Real Estate, is one of the latest organizations to sign on to the 7-Point Challenge. "If we can collectively succeed in reducing our energy consumption by 30 percent, we'll save \$7.2 billion and remove 120 billion pounds of carbon-dioxide emissions from the air, which is the equivalent of removing 12 million cars from the roads. It's a challenge we can't ignore."

Perhaps the first step in accepting any challenge is believing that it can be done. For BOMA, that meant setting a realistic and readily achievable goal that is based on being 30-percent more efficient than an average building - or one that holds a score of 50 based on the Environmental Protection Agency's (EPA) ENERGY STAR® benchmarking tool.

Utilization of ENERGY STAR's Portfolio Manager benchmarking program is, therefore, a key component of BOMA's 7-Point Challenge, as the national energy performance rating system allows users to compare their facility's energy performance to similar buildings nationwide. By inputting energy and building information, the tool provides a benchmark score on a scale of 1 to 100. Those buildings and/or portfolios rating a 75 and above are operating in the top 25th percentile of the market in terms of energy efficiency and may qualify for an ENERGY STAR label. "We know that someone who has just retrofitted a building could have a difficult time reducing energy usage by another 30 percent," says Karen Penafiel, CAE, BOMA Intl.'s vice president of advocacy, "so the goal here is a 30-percent reduction across a portfolio and in comparison to an 'average' building - a building with an ENERGY STAR rating of 50. If, after running your energy audits and comparing those benchmarks to an average building, you're already in the top quartile, then you have less to do. If you're at average or below average, then it's time to take some steps that will lift your ratings by 30 percent."

Why 30 percent?

"Primarily because we know, through our BOMA Energy Efficiency Program (BEEP), a six-course program designed to help improve a building's efficiencies, that a 30-percent savings can be relatively easily achieved using no- and low-cost strategies," Penafiel explains. "We want to

tie the two programs together because we know that the tools exist to achieve that level of improvement, and we have the education program to back it up. We've even dedicated a BEEP course to learning how to use the Portfolio Manager program."

"Thirty (30) percent is very, very doable," agrees Stuart Brodsky, ENERGY STAR's national program manager for commercial property markets. "ENERGY STAR's partners in the three property markets with which I work represent 7 billion square feet of space between them, and when these partners have put their minds to energy efficiency, they have unfailingly astounded themselves by how much they exceed their own goals. It's simply not as complicated, nor as capital intensive, to achieve a 30-percent reduction in the average building as most people think. I consistently hear: 'If we only knew then what we know now.' Once organizations achieve the success our leading partners have experienced, it becomes easier to convince the rest of the market that 30 percent can be done, and it can be done quite profitably."

One organization that needed no such convincing, and that signed on to BOMA's 7-Point Challenge within days of its announcement, is Transwestern, one of the largest privately held commercial real estate firms in the United States. Transwestern received the EPA's ENERGY STAR Partner of the Year award in 2004 and 2005, and multiple EPA Sustained Excellence Awards in recognition of outstanding leadership in reducing carbon-dioxide emissions through superior energy management.

"This challenge appealed to us because we believe the best way to make progress is to set goals and making a public commitment creates accountability," explains Mychele Lord*, executive managing director of client services for Transwestern.

"With utilities being the highest controllable expense category in buildings and mounting influence that emissions will no longer be free in the United States, there is increased risk [that] our industry will be facing even higher prices, a carbon tax, and/or regulation," she adds. "We know that the short-term solution is greater energy efficiency. We want to be ready to respond in the interest of our clients, and we want to do what is right for the environment."

Transwestern is also a strong believer that making changes doesn't necessarily require budget-busting techniques. Chief among its strategies are benchmarking and education, recognizing that benchmarking alone will open employees' eyes to countless opportunities for improvement.

For example, Transwestern is urging all of its clients to obtain a property's utility bills prior to the acquisition of assets. Without those utility bills, the professionals would need to go an entire year before being able to benchmark. With those bills, they can begin benchmarking almost immediately and have, in fact, set an internal goal of starting benchmarking within 45 days of takeover.

The Portfolio Manager program also allows Transwestern to keep close tabs on buildings that are nearing or are already in the top quartile of the ENERGY STAR ratings. By running regular reports, Lord can find out immediately which buildings in the company's portfolio are rated at 75 or above, but that haven't yet pursued the ENERGY STAR label. By encouraging regions to pursue that label, Lord can improve Transwestern's chances for leasing out its space: When a broker inputs space requirements into CoStar, a commercial real estate database, the buildings that are ENERGY STAR and LEED certified pop up first, much like getting a Google No. 1 "hit."

"No and low cost really can be exactly that," says Lord, "if people can recognize the opportunities and know how to implement them. Portfolio Manager is a great example of that ... once you see all of its advantages, you'll more readily adopt the best practices. It's an amazing, very robust program, and it's free. It's just a matter of using it."

Brodsky agrees that costs don't need to be great, pointing out that just stimulating some ingenuity among staff and engineers will likely result in an 8- to 12-percent savings in efficiencies. More can easily be found by re-commissioning existing systems, calibrating thermostats, adjusting dampers, inspecting and adjusting controls, converting bulbs, and generally making sure that buildings are operating as they were designed to operate.

Another group accepting BOMA's challenge is BOMA/Austin, led by a sustainability task force that John Sutton, assistant vice president of corporate services at Texas Guaranteed Student Loan Corp., developed after going through the BEEP program and seeing the benefits of energy conservation from a building in his own portfolio.

"We had purchased a building, but found that when we first started operating it, the utilities were really high," Sutton explains. "We were concerned and started being far more aggressive in seeing where we could save costs. We were ultimately able to bring costs down to 99 cents per square foot from more than \$2 per square foot. We benchmarked our efforts with ENERGY STAR [Portfolio Manager], saw our rating go way up into the top quartile, and felt incredibly enthusiastic about what we were

able to do. That experience really served as the fuse for getting this latest effort going."

And, that effort is a great one. Using the 7-Point Challenge as a guideline, BOMA/Austin is urging its members to cut energy usage by 30 percent by 2010, 2 years earlier than BOMA's national guideline. Strong support will come from Austin Mayor Will Wynn's office and local utility Austin Energy, both of which have agreed to help the group achieve its goals. "The mayor is very green focused, and he has made Austin a front-runner in pursuing energy efficiencies," Sutton says. "Austin Energy also offers incentives, rebates, and guidance, and I know that, together, we'll be able to achieve a great deal."

"It's a different world we're living in right now," Brodsky concludes, "and reducing energy usage by 30 percent is a lot easier today than it would have been several years ago, thanks to new technologies and the ambition, enthusiasm, and encouragement that is coming from owners, municipalities, and major corporations. That level of commitment simply didn't exist before ... people are believers now, people are demanding it now, and we simply cannot say [that] it's not important anymore."

Call to Action

BOMA Intl. calls upon its members to accept the 7-Point Challenge to reduce the use of natural resources, nonrenewable energy sources, and waste production, and work in coordination with building management, ownership, and tenants to achieve the following goals:

Continue to work toward a goal to decrease energy consumption by 30 percent across your portfolios by 2012 - as measured against an "average building" ranking of 50 on the ENERGY STAR benchmarking tool in 2007.

At least once a year, benchmark your energy performance and water usage through EPA's ENERGY STAR benchmarking tool and share your results with BOMA.

Provide education to your managers, engineers, and others involved in building operations to ensure that equipment is properly installed, commissioned, maintained, and utilized.

Perform an energy audit and/or retro-commissioning of your building and implement low-risk, low-cost, and cost-effective strategies to improve energy efficiency with high returns.

Extend equipment life by improving the operations and maintenance of building systems and ensure equipment is operating as designed.

Through leadership, positively impact your community and your planet by helping to reduce your industry's role in global warming.

Position yourself and the industry as leaders and solution providers to owners and tenants seeking environmental and operational excellence.

BOMA Intl. believes that, through implementation of these no- and low-cost operation and management practices, buildings may see a reduction in energy consumption alone of up to 30 percent. In addition to lowering operating costs and enhancing asset value, these measures will improve tenant comfort and satisfaction with better building temperature control and lower absenteeism and increase your tenants' productivity, resulting in real cost savings for tenants.

BOMA Intl. has pledged to take major steps of its own to support the overall effort. To sign on to BOMA's 7-Point Challenge, contact Karen Penafiel at (kpenafiel@boma.org). For more information about the 7-Point Challenge, visit (www.boma.org). For more information about BOMA's Energy Efficiency Program (BEEP), visit (www.boma.org/TrainingAndEducation/BEEP). For more information about EPA's ENERGY STAR[®] program, visit (www.energystar.gov) or call (888) STAR-YES ([888] 782-7937).

*At press time, Mychele Lord has established Lord Green Real Estate Strategies.