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**USGBC-LA Existing Buildings (EB) Subcommittee
Q1 2010 Meeting Minutes**

Meeting Date: Wednesday, February 17, 2010, 12:00—1:00 pm.

Location: Brookfield Properties' Office: Figueroa at Wilshire Building - 601 South Figueroa Street, Suite 2200 @ Vista Room. Los Angeles, CA 90071

Next Meeting: Q2 2010, date and location TBD

Minutes Prepared by: Drew Shula

Attendees:

<u>Name</u>	<u>Title</u>	<u>Company</u>	<u>Attendance</u>
Andy Rhoades	President	LEEDing Edge	X
Anthony Maxey	Account Manager	LA DWP	
Annie Argento	Sustainability Advisor	Brightworks	
Bob Hudachek	Curriculum Administrator	Local 501 Operating Engineers	
Brian Pagac	Vice President Operations	Able Engineering	
Brian Wilson	Director Western Region	Healthy Buildings Solutions	
Chris Jeffries	Branch Manager	ABM Engineering Services	
Colin Monaghan	Chief Engineer	Brookfield Properties	X
Cornel Sneekes	Executive Vice President	ABM Engineering Services	
Curt Stromstedt	Engineering Manager	Maguire Properties	
Cynthia L. Davis	Major Account Manager	Southern California Edison	
Dan Deeb	Engineering Manager	Metro Services / LEEDing Edge	
Daniele Aquino	Sustainability Manager	Thomas Properties Group	X
David Callahan	Commercial Leasing Agent	Cresa Partners	
David Hodgins	Assistant Director	Clinton Climate Initiative	
David Pogue	National Director of Sustainability	CBRE	
Dave Thompson		Brookfield Properties	
Dennis H Lundy	Regional Director	I.U.O.E.	
Dennis Thurman	Senior VP of Engineering	Transwestern	
Desiree Cirrincione		Brookfield Properties	X
Devin Saylor	LEED Instructor		X
Doug Grow		Brookfield Properties	X
Drew Shula	LEED Specialist	Thomas Properties Group	X
Elisabeth Watson	Attorney	Greenberg & Glusker	
Everett Greer	Commercial RE	Greer Advisors	
Ethan Sischo	Commercial RE	Anderson Pacific LLC	
Felippe Marques	Account Executive - LA	The CoStar Group	
Gary Youngberg	Director of Engineering	Equity Office Properties	
Greg Lorusso	LA Office Manager, Architect	BWA Architects	
Greg Reitz	Principal	REthink Development Corp	X
James Finlay	VP Commercial RE Appraiser	WELLS FARGO	
Jeff Gould	Commercial RE Agent	Colliers International	
Jim Krachmer	Group Engineering Manager	Hines	X
Jim Brock	USGBC Board Member	USGBC-LA	
John Crooks	Curriculum Administrator	IUOE 501	
John Smith		Maguire Properties	X
John Wiedner		Gensler	X
Josh Kirschenbaum	VP - Business Development	Neuwaste Recycling	X
Kevin Devine	Director, Engineering	Brookfield Properties	
Kevin Hagen		Maguire Properties	
Kimberly Thornton		Brookfield Properties	X
Lance Williams	Executive Director	USGBC LA Chapter	



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Louis McTague III	Engineering Manager	Able Engineering	X
Luis Hernandez		Brookfield Properties	X
Marc Costa		LBCC Workforce Development	X
Marika Erdely	President	LEED by ME	X
Michael Oddo	Partner	LEEDing Edge	
Michael Van Parys	Sustainability Consultant	The Corvays Group	
Nathan Krantz		Healthy Buildings Solutions	
Nick Kiefer		Healthy Buildings International	X
Nina Katoni		Fox	X
Peter Barsuk	Associate	Gensler	
Robert Lutes	Director of Eng. Services	Douglas Emmett	
Rolland Vollmann	Portfolio Manager	ING Clarion	
Romeo Sesto	Eng. Account Manager	Able Engineering	
Robert Estrada	Water Conservation Specialist	LADWP	
Ryan Hekmat	Project Manager	Brookfield Properties	X
Sandy Schmid	Relationship Manager	Wells Fargo Bank	
Scott Selke	Director	REthink Development Corp	
Sean Gilmore	Director	Metro Services	
Seth Strongin	Research Coordinator	USGBC-LA EB Subcommittee	X
Simon Turner	President	Healthy Buildings International	X
Sonja Klimp		New Standard Equities	X
Steve Achorn	Operations Manager	Thomas Properties Group	
Tamara Wagner	Sustainability Manager	City of Baldwin Park	
Tom Tolan	Regional Chief Engineer	Lowe Enterprises RE Group	
Travis Addison	VP Engineering & Operations	Maguire Properties	
Wayne Hendrickson	Director of Operations	Thomas Properties Group	X
William G. Wendt	Director of Facilities & Eng.	Kilroy Realty Corporation	

Committee Leaders

Daniele Aquino	Co-Chair
Kevin Devine	Co-Chair
Drew Shula	Events Coordinator
Seth Strongin	Research Coordinator
Stephanie Watt	Social Networking Coordinator

* Please do not use this contact list to solicit members about products & services. This group is targeted at building owners and managers of commercial office buildings that are implementing Green Operational Programs.

Meeting Minutes

1. IntroDaniele Aquino & Kevin Devine

- **Speaker:** Daniele Aquino, Sustainability Manager, Thomas Properties Group.
- **Topics:** Update from the USGBC Greenbuild conference in Phoenix (Nov. 2009) about the latest news and trends in the existing building (EB) retrofit market & implementation strategies for greening your portfolio of properties using the LEED EB O&M program.



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2. EB Market Update / Portfolio Implementation Strategies.....Daniele Aquino

*** See PDF of Daniele Aquino's presentation attached. ***

- The built environment is a major component of our global quest for sustainability.
- We only replace a small percentage of our existing building stock every year. Huge opportunity with greening and retrofitting existing buildings.
- 98-99% of the nation's building stock is made up of structures that are already built or near completion.
- New construction is where most of the focus has been thus far, but we need to increase our attention on existing buildings if we want to really make an impact.
- LEED EB O&M is still in its infancy.
- Of all the LEED certified buildings so far, only 10% have been existing buildings.
- A 2004 Federal Government Report noted that the operations of a building represent the majority (60-70%) of the total lifecycle cost of owning and operating a building.
- The context for today's discussion is the triple bottom line, but we will focus on the economic aspect.
- The strengthening economic case for green building is the key driver for management and investor buy in.
- The primary benefit driving the adoption of green operations is increased asset value.
- Increased asset value, demonstrated by Thomas Properties Group case study of the LEED Platinum, California EPA headquarters building in Sacramento, CA. The first LEED-EB Platinum high rise in the country.
- Cal/EPA high efficiency measures save over \$1.4 million (\$1.50/sf) annually in operating expenses which equates to almost \$18 million in additional value at an 8% cap rate.
- Cost-benefit summary of LEED EB Platinum Adobe Systems, Inc. which saves a total of \$1.2 million annually equating to an ROI of 121% and an average payback per project of 9.5 months. They have experienced a net ROI of 148% while the cost of certification was just 10 percent of one year's savings.

Market Update

- 2009 ULI book, "Retrofitting Office Buildings to be Green and Energy Efficient." examines the financial returns from making green retrofits and renovations on existing buildings. One set of data on 25 LEED EB-certified buildings from across the U.S. found the average payback period for investment in green retrofits was just 1.4 years and the average ROI in the first year was 73%.
- CBRE presentation, "Do Green Buildings Make Dollars and Sense," looks not only at how much going green costs, but revenue data starting to be studied and published.
- Among the key findings of the CBRE presentation, separate metering can have a huge impact on a building's total energy costs – an average savings of 21%. For each additional Energy Star point, there is an expected electricity savings of 0.8 to 1%.
- Green buildings were also found to improve worker productivity, adding a value of \$25/sf from improved productivity and fewer sick days.
- Norm Miller's Greenbuild presentation, titled "Does Green Payoff?" used CoStar's 4.0 million property database and was the first study on revenue impact of going green as opposed to the costs of green.
- Miller's key findings: increased occupancy and higher rental rates for Energy Star and LEED Certified properties.



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- Rental premium for green buildings has come down in economic downturn, but it remains ahead of non-green buildings.
- Multiple studies confirm these results.
- Strong demand for green buildings in the face of limited supply.
- Premiums in rental rates of green buildings: 3.7%—6%.
- In past year, revenue impacts have started to emerge, which makes the case for owners to go green.
- Findings from McGraw Hill Smart Market Report, market opportunity for green building: by 2014, \$10-15 billion.
- Yudelson book makes the case that today's non-green conventional buildings will eventually be obsolete.
- Definition of RPI, "responsible property investment" – holistic view of financial, market, legal and reputational performance.
- Significant risk mitigation by building green.
- New policies and regulations send a clear signal that green building will eventually become a code requirement.
- If building owners don't implement green practices now, they risk the obsolescence of their property as green buildings become the "new normal."

Greening Your Portfolio, A Volume Approach:

- Daniele Aquino speaks from her experience with her company, Thomas Properties Group (TPG).
- TPG's LEED for Existing Buildings Program consists of 34 buildings and about 15 million square feet of office space.
- TPG is participating in the USGBC LEED for Existing Buildings Pilot Volume Pilot Program.
- TPG has divided implementation of the program into 3 phases:
 - 1. During their initial audit, none of the properties would meet LEED certification, but if the company only addressed the "low hanging fruit items," all properties would reach the LEED Certified level at a minimum.
 - 2. Next, the company looked at what other LEED points could be earned just with human capital (no capital improvement costs) and most properties could reach either a Silver or Gold level.
 - 3. Finally, the company will address credits that require capital improvement costs, and if they invest in this, most properties in the portfolio could reach LEED Platinum certification level.
- TPG is currently moving forward with phases 1 and 2 as outlined above and hopes to implement phase 3 when the economic environment improves.
- TPG convened an internal team to brainstorm a strategy which included educational programs as well as buy in from the property management teams.
- TPG LEED team traveled around the country in 2008 visiting each property to complete an initial LEED audit.
- The properties are currently working on their Volume Program certification documentation and expect to complete the program in 2011.

Case Study:

- TPG's City National Plaza (CNP), 2.5 million sf building in downtown Los Angeles.
- Purchased in 2003, CNP was extremely energy inefficient and the company spent significant funds upgrading the building. This overhaul was not strictly geared toward sustainability, the building also needed a facelift, but it did focus on implementing several high performance sustainability features especially energy and water efficiency.



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- CNP is currently submitting for LEED certification and targeting LEED EB Gold.
- Key metric: CNP has increased occupancy by 58% over the last five years, but electricity costs for the building have only risen 8.5% due to increased efficiency representing savings of over \$8.2 million.
- Key projects: lighting upgrades with high-efficiency lamps, ballasts and occupancy sensor controls; Power Factor correction equipment, high-efficiency fan motors and VFD's; replaced chillers, cooling towers and boilers; wet sealed the building exterior to eliminate air leaks; installed ultra low flow plumbing fixtures; and implemented a shuttle bus program to promote alternative transportation.

3. Roundtable Discussion.....All

- Simon Turner, Healthy Buildings International (HBI): where will tenant demand taper off? This is an important metric for the industry to know.
- Comment: USGBC LEED for Existing Buildings Volume Pilot Program is currently closed, when will the pilot end and the regular program be opened by the USGBC?
- Daniele Aquino, TPG: The USGBC is currently working with Pilot Participants and has not yet announced when the program will open for other companies.
- Comment: how do tenant notifications work? How do you get buy-in from tenants to participate and support the LEED program?
- Daniele Aquino, TPG: we have sent a large number of tenant notifications to entice people to participate in our sustainability programs, some were excited about going green, and some were indifferent, but overall our tenants were very supportive of the program.
- Kevin Devine, Brookfield Properties (BP): some tenants interested, some not. Today's meeting is held in our LEED Silver green space. Interest is market driven and important.
- Brokers still don't speak the language – hard for them to sell because they don't understand. They are not able to convey the benefits of green buildings to tenants.
- Kevin Devine, BP: The USGBC Greenbuild Conference had a well attended "Green Leasing" seminar. We continue to help educate our leasing people at Brookfield, but the progression has been slower to evolve on the leasing side.
- Wayne Hendrickson, TPG: the leasing guys say people coming to them are not totally on board, people want to know "are you LEED certified" not your certification level of Silver, Gold or Platinum. They want to know the cost of going green – how much extra per square foot? The brokerage industry will not be on board until people start to demand.
- Simon Turner, HBI: David Pogue at CBRE uses great tenant surveys for lighting and air quality.
- Marika Erdely, LEED by ME (asking Daniele Aquino about her presentation): in the 58% occupancy increase at CNP, was any of that growth due to LEED certification, or sustainable upgrades?
- Daniele Aquino, TPG: No. Tenants were seeing sustainability, but this was not the driver at the time.
- Nina Katoni, Fox: found representing owner, got stuck at energy issue. Bulk of money invested here. How did you address energy issue? How did you start benchmarking energy – Energy Star?
- Daniele Aquino, TPG: Our energy efficiency upgrades were part of best management practices, we strive for buildings to be as efficient as possible. Before we started our LEED program, most TPG buildings were already Energy



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Star certified. Easier for TPG to start, because the buildings were already Energy Star Labeled. That is a LEED Prerequisite and it takes a minimum of one year to gather operational data in energy efficiency.

- Andy Rhoades, LEEDing Edge: Energy Star is free. Documenting data online is free. Need 12 months of utility data, space usage and occupancy data. You can see right where you stand.
- Kevin Devine, BP: Andy and his company, LEEDing Edge, have been very helpful to Brookfield. They help establish gap analysis, create a plan, and figure out how to implement big energy plans. This is important, because ROI is everything.
- Nina Katoni, Fox: We have 100 buildings and no individual metering. This presents a barrier for our company’s energy efficiency goals.
- Andy Rhoades, LEEDing Edge: complete a trend report on a building for a week, need to start separating buildings, start doing cost per square foot comparisons.
- Daniele Aquino, TPG: Recommends hiring a consultant to do a cost/benefit analysis for the energy efficiency and meter upgrades.
- Wayne Hendrickson, TPG: set up a “data logger” on one building, you have to start somewhere, so just get started. Two good products are: PowerLogic Square D, and E-Mon D-Mon for submetering.
- Kevin Devine, BP: The Greenbuild Expo floor was perfect for this sort of product search. There were thousands of great products on display.

4. Topics for Next MeetingAll

- Kevin Devine, BP suggested doing a larger meeting in Q2 2010. We could potentially fly in a fantastic speaker that spoke at Greenbuild regarding low cost, no cost energy improvements: Sean Delehanty, BAE Systems Electronic Solutions.
- We could hold this meeting at the Bank of America auditorium, which accommodates 200-250 people.
- Ticket prices could be ~\$10-25.
- Potential Upcoming Event: Q2 2010 Meeting (Date TBD)
The USGBC-LA EB Subcommittee is in the planning stages to hold our second quarter 2010 meeting in conjunction with the Building Owners and Managers Association (BOMA). The meeting will be opened to all USGBC-LA Chapter and BOMA members and will address a room by room approach to energy savings through “low cost/no cost” building improvements. The event is slated to take place in the Bank of America auditorium (or similar venue), downtown Los Angeles, and ticket sales proceeds will benefit USGBC-LA and the EB Subcommittee.
- Wayne Hendrickson, TPG: Another event topic could be: what resources are available to help properties get LEED Certified using in house personnel.
- Greg Reitz, REThink Development Corp: Another topic could be: how to work through the challenges for earning LEED credits on multiple tenant buildings.

5. Closing Remarks.....Daniele Aquino & Kevin Devine

- Colin Monaghan, Brookfield Properties: in order to motivate building occupants to complete surveys related to sustainability initiatives, he gave out \$1,600 worth of raffle prizes. The number of responses went from 200—1300 people. Strategies that include tenant interaction, posting signage, or hosting breakfast or lunch, create greater tenant participation.



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- Gail Wisner, CBRE: said she could ask Dave Pogue to come and speak to our committee.
- Simon Turner, HBI: it's all about the money at the moment. We need to understand how to communicate this information to brokers. Since we last met CALGreen has passed into the California Building Standards Code, TI's will be next, we will have to become educated on this (See "CALGreen Overview" document attached to these Meeting Minutes for more information)
- Nick Kiefer, HBI: the studies presented are very general, are there any local studies available?
- No one in the group is aware of any studies related specifically to the Los Angeles area.
- Colin Monaghan, Brookfield Properties: Commenting on TPG's Cal/EPA case study presented, switching to daytime janitorial is a great idea.
- Wayne Hendrickson, TPG: let's invite our bosses and our bosses' bosses to our next meeting. It is important to engage as many influential decision makers as possible in this process.
- Andy Rhoades, LEEDing Edge: recommends the website: www.LEEDuser.com. As a great resource for managing your LEED submittal process to the USGBC.
- Andy Rhoades, LEEDing Edge: recently met with four LEED reviewers from certification bodies. They said to add as little unnecessary data as possible to help streamline the review process. The more documents they have to comb through, the harder it is for them to review. They also said it's very important to keep your documentation consistent throughout all LEED submittals.
- Kim Thornton, Brookfield Properties: likes idea of educating brokers – get in touch with James Finlay with USGBC-LA Commercial Real Estate and Finance (CRE&F) committee: <http://www.usgbcla.org/committees/market-task-force/commercial-real-estate-and-finance>

These Meeting Minutes will be posted to the USGBC-LA Existing Buildings Committee webpage: <http://www.usgbcla.org/committees/market-task-force/existing-buildings/eb-committee-meeting-minutes>