



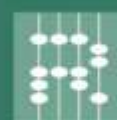
Developers “Going Green”

WHITE PAPER

Reznick Group Renewable Energy Practice

February 11, 2009

| RENEWABLE ENERGY |



**Reznick
Group**

ACCOUNTING · TAX · BUSINESS ADVISORY

Background

There is an increasing awareness among real estate owners of the effect that waste, pollution and other environmental factors have on the real estate market. With the increasing rise in environmental awareness, real estate has permanently entered the realm of eco-friendly design and building practices including building management and other “green” initiatives.

For the real estate industry, this means that more developers are needed to engage in environmentally friendly building. Ignoring energy issues or sitting on the energy-sidelines is no longer a safe business model, as the current marketplace demands developers to be more competitive than ever before. Now, more than ever, it is critical for developers to adjust their business model and best-practices to survive in today’s challenging real estate market and economic environment.

Green Building

Green building is the practice of increasing the efficiency of buildings and their use of energy, water, and materials, and reducing building impacts on human health and the environment, through better siting, design, construction, operation, maintenance, and removal — the complete building life cycle.

Generally, the “green” label in real estate applies loosely to a growing list of sustainable building practices, ranging from energy-efficient lighting and air purification systems to recycled carpet. However, simply incorporating renewable energy technologies (such as solar or fuel cells) is another option.

Developers who embrace the practice of green building soon learn there are many benefits on the development side. Some of the positive aspects of “going green” include:

Developer Benefits

Streamlined Permitting and Approvals – For some green projects, regulatory delays and difficulties may be reduced as a direct result of incorporating green measures in your development plan. A project that is designed to minimize loss of open space or that will result in less storm water runoff, for example, can greatly reduce concerns by local citizen groups and planning commissions and put you ahead of the competition.

Larger Developer Fees, Reduced Carrying Costs – Solar panels have no fuel cost and can last for 30 years. “Free” power for 20-30 years is a serious long term economic consideration versus a short-term analysis. Freeing up operational costs increases cash-flow and the ability to service additional debt for larger projects and increased developer fees.

Additional Equity – Incorporating energy property that qualifies for federal, state or local tax credits and incentives can be use to raise additional equity for the project. From the developer’s perspective, energy is not really about energy - It’s about finance and capital. Renewable energy (solar power, heating or lighting, geothermal heating or cooling, microturbines or fuel cells, as well

as others) are often assumed to be too expensive. However, by using federal, state and local tax and other financial incentives a developer can reduce the cost and make it work.

Alternate Source of Revenues – If you own energy property, you may be able to set up a new business to provide long-term energy services to your existing business or others. In fact, some developers are creating separate green and renewable energy servicing companies to provide energy related services to the buildings they develop. Often with 10-20 year revenue streams. This is an entirely new source of revenue. Generating electricity and selling it to public utilities when your building doesn't need all the power you are making is another option in some cases. There are many, many options. Deciding it won't work without knowing all your options makes no sense.

Attraction of Buyers and Tenants In Tough Rental Markets - According to U.S. EPA research, tenants can save about 50 cents per square foot each year through strategies that cut energy use by 30%. This can represent a savings of \$50,000 or more in a five-year lease on 20,000 square feet. This makes the green building more attractive to building purchasers and their tenants, and obviously provides a competitive advantage as compared to non-green or so-called "brown" buildings. Some high-end tenants may require this.

Public image – The positive public image that can be realized through a commitment to healthy, environmentally responsible buildings can be tremendously beneficial. Especially to public officials who decide winning bids and permitting.

Bottom-Line – Green Means Go

Green buildings are no longer just an interesting idea. In the coming years, it is anticipated that more jurisdictions will incorporate incentives for green building. Some may even require green building.

Smart developers are getting ahead of the pack by incorporating green features with their proposals. Not only does this provide them with a competitive advantage over rivals, but in doing so, they are also improving their long term bottom line.