



Financial Analysis Tools for Sustainability Initiatives

Presented to:



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Agenda

- EcoMetrix Environmental Management Overview
- Valuing Sustainable Retrofits
- Financial Analysis Process
- Overview of Excel Template
- Questions

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EcoMetrix Environmental Management Overview

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Mission

- **EcoMetrix offers a full suite of sustainability services to fulfill the strategic goals of clients while making sure that all sustainability initiatives are “bottom-line” oriented.**
 - Our background in development and property management makes us especially aware of the challenges and requirements present in the building industry.
 - We understand that projects must be financially feasible, not just socially admirable.
 - Through thoughtful, integrated planning, costs can be significantly reduced and payback periods shortened.
 - We partner with clients to develop a sustainability strategy that meets their environmental and social goals while maximizing economic gains.

EcoMetrix Environmental Management Overview

Services

- LEED® Services
- Energy Management
- Project Management
- Waste Stream Management
- Renewable Energy
- Strategic Planning
- Messaging & Public Relations
- Performance Contract Administration

EcoMetrix Environmental Management Overview

Clients

- Institutional Real Estate Owners
- Developers
- Corporate Facilities
- Sports Venues
- Higher Education Facilities
- Airports
- Municipalities



Valuing Sustainable Retrofits

Valuing Sustainable Retrofits

Sustainability Defined

- Sustainability is commonly viewed as the balancing of a three legged stool:
 - Social Impacts
 - Environmental Impacts
 - Economic Impacts



Rationale for Sustainable Retrofits

Why Financial Analysis?

A systematic approach to sustainable retrofits that focuses on reducing operating expenses will generally be received much better by decision makers because it:

- Eliminates predisposed emotions (if they exist)
- Uses clearly defined metrics
- Can be backed up using hard data
- Uses terms of value the decision maker is familiar with (payback, NPV, IRR)
- Can clearly illustrate the increase to NOI
- Can clearly illustrate the enhancement to value of the property



Financial Analysis Process

Financial Analysis Process

5 Steps

- Develop A Baseline (Usage and Cost)
- Understand Your Options and their Impacts (non-Financial)
- Develop a Budget
- Project the Savings
- Analyze the Returns

Financial Analysis Process

Develop A Baseline (Usage and Cost)

- Understand and Catalog Current Equipment
 - Equipment Specifications
 - Fixture Counts
- Determine Usage
 - Estimated usage
 - Actual Usage
- Determine Cost
 - Using the specifications and usage, determine costs for equipment being reviewed

Financial Analysis Process

Understand Your Options and their Impacts

- Develop Options
 - Replacement Equipment Specifications
 - Fixture Counts
- Determine Other Impacts
 - Operational
 - Additional load on property managers
 - Changes to operational procedures
 - Tenants
- Select Best Option

Financial Analysis Process

Develop a Budget

- Projected Cost
 - Equipment Cost
 - Installation Cost
 - Additional Operational Cost
- Capital Sources
 - Internal Funding
 - Landlord Contribution
 - Tenant Pass Thru
 - Tax Incentives

Financial Analysis Process

Project Savings

- Projected Savings - Ongoing
 - Projected usage should remain constant (hours, flushes, duration of faucet use, etc.)
 - Projected cost should remain constant
 - Savings should be realized because of higher equipment efficiency
- Project Value Increase at Disposition
 - Understand exit strategy
 - Understand projected exit pricing (cap rate %)

Financial Analysis Process

Analyze the Returns

- Return Metrics
 - Payback
 - NPV (Net Present Value)
 - IRR (Internal Rate of Return)



Overview of Excel Template



Questions?