

BOMA San Francisco advances the commercial real estate industry through advocacy, professional development, and information exchange

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BEPC—Energy Cost Reduction in a Tough Economy

Stephany Cull, BEP, CBCP, CSDP
RetroCom Energy Strategies, Inc.

Recently, BOMA International (BOMA), in partnership with the Clinton Climate Initiative (CCI), unveiled a contracting model designed to assist building owners and managers to execute comprehensive Energy Performance Contracts (EPC) in their buildings. The BOMA EPC (BEPC) model contains a complete set of guidance tools and template documents, all designed to support a real estate professional in the selection and management of an Energy Performance Contracting relationship.

Essentially, Energy Performance Contracting is a method by which the cost of replacing or retrofitting less energy efficient building systems with more efficient alternatives is financed directly from the energy savings that result from that replacement or retrofit. Under the right circumstances the BOMA Energy Performance Contract offers a sound opportunity to make necessary building system improvements that may otherwise be deferred for lack of available capital. So, as we face ever increasing costs for energy, an industry wide push towards sustainability, and erosion to NOI due to economic conditions, this industry specific solution may be of great assistance.

As with any complex business or contractual relationship, the devil will be in the details and although BOMA and

Sustainable Buildings— An Opportunity for Collaboration and Creativity

Building owners and managers have always been concerned about high performance buildings, especially when it comes to energy efficiency. What came into play with the advent of sustainability is how the people inside the buildings matter. The health and productivity of the occupants is a critical indicator of overall performance and value.

In the multi-tenant building environment, the measures taken by owners and managers can only get us part way towards the desired goal. We can monitor indoor air quality, green our cleaning practices and install a state of the art recycling program. But bottom line, individual tenant behavior is a key factor that can hinder or aid our efforts to achieve sustainability.

Owners and managers have a great opportunity to focus on the people who are working in the building, educate them on why their behavior is important and demonstrate how it affects their productivity as well as their bottom line. By bringing the shared environment into the equation, the traditional, sometimes



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oppositional, relationship between landlord and tenant shifts to a collaborative relationship, with both parties being equal stakeholders.

A second key factor in achieving sustainability requires engaging our service providers and bringing them to the table. Landscaping, pest control and construction are specialized businesses that can be performed in a more or less sustainable way. Utilize your association membership to identify and engage the right firms, as they are an integral part of this process and will contribute to success.

In the end, striving for a sustainable building is good customer service. Develop a strong partnership with your tenants and service providers that focuses on specific and agreed upon common goals. However, be advised: this is not a checklist to be crossed off and forgotten. Sustainability is never "done". Engaging all stakeholders in the conversation and bringing out the collective creativity of the group leads to an on-going process that results in better property performance and more productive relationships.

The BOMA Bulletin

is published quarterly.
Scheduled 2009 issues are
March, June, September
and December.

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prior to publication.

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BOMA Committee Leadership

2009 Committee Chairs Steer Association Activities

BOMA is a successful organization due in large part to an active and committed base of member volunteers. Over 100 members serve on committees or provide special project support. BOMA is honored to have the following leaders guide the Association through the issues, events and industry challenges of 2009. If you are interested in participating on one of these committees, please contact the chair via the email address shown.



Associate Committee
Howard Fish
Skyline Construction, Inc.
hfish@skyline.com

The Associate Committee plans and executes the organization's social events. These events include the Texas Hold'em Tournament, PAC at the PARK, "No Frills" Silverado and Elmer Johnson golf tournaments, Un-Oktoberfest, and the Holiday party.



Codes & Regulations Committee
Jeff Palmer
Able Engineering Services
jpalmer@ablserve.com

The Building Code Committee monitors the current trends in Code Enforcement that may affect the commercial real estate industry at the city and state level. The task force educates the membership on the major code related issues and topics that affect San Francisco and the Bay Area's commercial real estate industry. The task force also evaluates and provides feedback on behalf of BOMA on proposed building code changes, additions or deletions at city and state levels.



BOMA-SF-PAC (Political Action Committee)
Nancy Gille, RPA
REAL Systems
ngille@msn.com

BOMA-SF-PAC is the separately incorporated political action arm of the association. BOMA-SF-PAC endorses and supports local candidates for public office, local ballot initiatives and independent expenditures on behalf of issues or candidates. Due to State and local regulation of Political Action Committees meetings are open to BOMA members as observers only. The Committee is governed by a board of directors that is elected to a 2 year term. If you would like to be considered for a board position, please contact the Chair to discuss your interest and qualifications.




Education Committee
Sue Rinetti, President
Rinetti & Associates
sue@rinettiandassociates.com

The Education Committee selects speakers and topics for membership luncheons. The committee also discusses educational topics for the membership and the best format for dissemination of useful information, including seminars, newsletter articles, website links, brown bag forums, etc.



Emergency Preparedness Committee
Ellen Kovach, RPA
The Swig Company
ekovach@swigco.com

The Emergency Preparedness Committee identifies exemplary safety, security, emergency preparedness and incident prevention practices in the commercial property field, and educates members about the security and life safety assessment and planning tools, and range of preparedness options available to them.



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“Coming together is a beginning, staying together is progress, and working together is success.”

~Henry Ford



Environment Committee
Zachary Brown
Equity Office
zachary_brown@equityoffice.com

The Environment committee encourages and supports environmentally sustainable business practices in the commercial real estate industry. The committee helps members achieve their sustainability goals, including, but not limited to LEED Certification, LEED Accreditation, recognition in the EARTH Award Program, recognition in other programs and awards, cutting expenses through energy conservation and waste diversion, and sharing best practices in smart management with like-minded members. This committee manages the EARTH Awards program which considers the entire spectrum of programs and practices that constitute an effective sustainability program for office buildings including what policies and procedures should be adopted that can help move a property toward becoming “green”.



GAPAC (Government & Public Affairs Committee)
Susan Court, RPA
Cushman & Wakefield
scourt@cwpmc.com

GAPAC plays a very important part in accomplishing BOMA’s advocacy goals. Along with the BOMA-SF-PAC, this committee is dedicated to representing BOMA members’ interests before every government body or public policy forum as required. An integral part of BOMA’s advocacy effort directly involves determining impact of proposed governmental policies and regulations on BOMA members and formulating appropriate responses to such policies or regulations.



Leadership Development Committee
Kathy Mattes, CPM, CCIM
CB Richard Ellis
kathy.mattes@cbre.com

The Leadership Development Committee identifies the best way to deploy volunteer talent at all levels throughout the association’s workgroups and leadership.



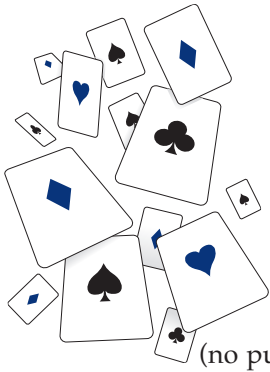
Membership Services Committee
Michelle Donnelly, RPA
CAC Real Estate Management Co., Inc.
mdonnelly@cacremco.com

The Membership Services Committee recruits new Principal (Building) and Associate (Vendor) members to the organization, with emphasis placed on identifying non-member buildings and planned developments in San Francisco, San Mateo, Sonoma & Marin counties. The committee is also responsible for welcoming all new members, assisting in the member renewal process, and producing quarterly Membership Orientations to new and existing members.



Young Professionals Steering Committee, “BOMA^{YP}”
Preston Richards
Boston Properties
prichards@bostonproperties.com

The BOMA^{YP} Steering Committee plans and executes educational and networking events designed for the members of the association in the early stages of their real estate careers (0-7 years of industry experience). In 2009, they will host three social mixers and a Spring Boat Cruise, and four Career Success Series lunchtime workshops focusing on skill development.



Texas Hold'em BOMA Style— Poker Event Draws a Full House!

ALL IN! That was the popular phrase of the evening from a full house (no pun intended) at the 3rd Annual BOMA SF Texas Hold 'em tournament held on February 4 at the Presidio Golf Club. Event Chair **Mark Kelly, Able Services**, did a fantastic job organizing and executing the evening.

Over 110 participants began the evening with high hopes of donning the coveted winner's bracelet and giving a \$500 donation to his/her favorite charity. As each moment passed another player was eliminated.

Cushman & Wakefield's **Jose Guevara** won the tournament and a \$500 donation has been made in his name to his charity of choice, **The Gorilla Foundation**.



Lucas Heller, Cushman & Wakefield, wears his lucky hat



ABM Security's Ben Fish



Jose Guevara counts his winnings

FORE!!!

BOMA Associates Committee hopes to see you on the links in 2009!

23rd Annual "No Frills"

Golf Tournament
Wednesday, May 13
Silverado Country Club



55th Annual Elmer Johnson Golf Tournament
Monday, August 24
Peninsula Golf & Country Club



Jose Guevara shows off his winner's bracelet



LaTrice Browning, Skyline Construction, congratulated on 2nd place

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Mayor Newsom Addresses Membership

Mayor Gavin Newsom addressed over 400 members of the local commercial real estate industry at BOMA's February 2009 Membership Luncheon. BOMA joined forces with CREW SF, AIA SF, ULI SF and CoreNet Northern California Chapter to hear the mayor report on the state of the local economy and how the economic stimulus package will benefit our region. The Mayor welcomed numerous questions from the audience and enjoyed the opportunity to address our collective memberships.



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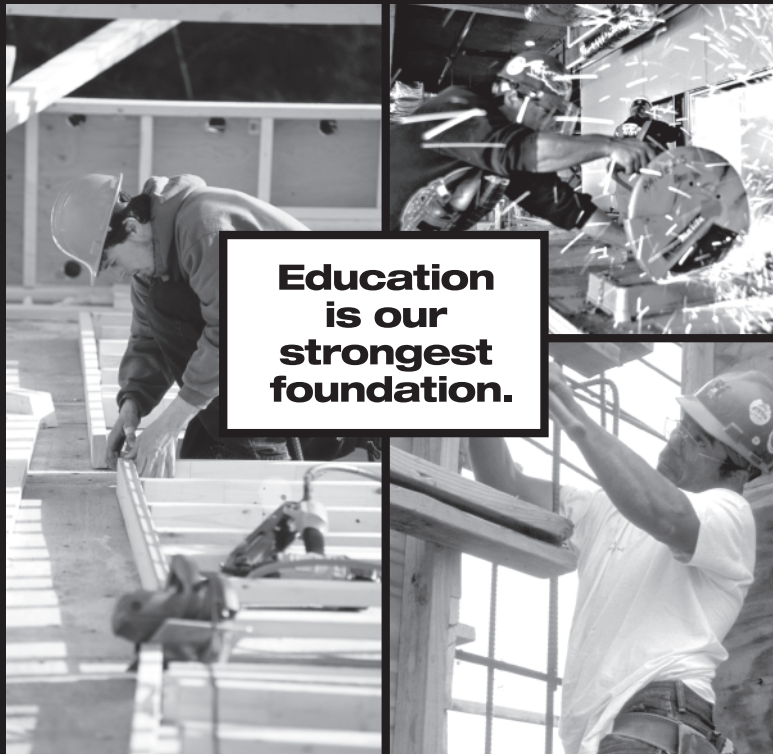


Tough Times Marketing: Making an Impact with Fewer Dollars

Looking for creative and cost-effective PR/marketing techniques? BOMA members and marketing consultants Henry and Ellen Eason of Eason Communications LLC will show you useful techniques that you can put to work immediately! Marketing Workbook included.

April 16, 12-1:15 PM ▲ 650 California St.
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Questions? Contact Tory Brubaker at toryb@boma.com



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Career Success Workshop:
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Lease Escalations: Understanding
& Executing a Critical Element
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March 18, 2009

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Membership Update: BOMA SF Strong and Steady in Challenging Times

Association research shows that membership in associations increases during challenging times. Existing members understand the power of their industry relationships, and look to their association to strengthen their ability to connect with their customers, colleagues and peers. Prospective members also look for ways to make inroads into the industry to support their business plans.

BOMA's membership is stronger than ever, **retaining over 95% of its building members** (the highest building retention rate in 10 years) and over **80% of its associate members**, which is in line with our historical average. To date, we have gained **17 new building members** (the highest number in 10 years), and **24 new associate members** which is on target for the year.

BOMA's Membership Services Committee has just announced its membership campaign for 2009. Retroactively to January 2009, all new members who were referred by an existing member will receive a certificate for a free admittance to a membership luncheon. The referring member will also receive the certificate, thanking them for their assistance in growing the association. All referring members' names will be entered into a drawing at the Annual Meeting in October for a grand prize drawing.

By engaging first year members to come and meet other members and share in the relationship-building power of BOMA, we hope to make their BOMA experience a more valuable one that will help them through both challenging and prosperous times.

BOMA SF Recognized for Achievements at Winter Business Meeting

BOMA International Chair & Chief Elected Officer Richard Purtell congratulates BOMA San Francisco President Margot Crosman for numerous achievements in 2008. Our local BOMA was awarded "Best Government Affairs Committee" for the work of BOMA-SF-PAC; was recognized as the largest contributor to BOMA International's PAC (approximate 26% of all donations they received in 2008); showed one of the largest percentages of growth in number of members contributing to the Experience Exchange Report in 2008; and received recognition for positive membership growth in '08.



Check out **BOMA SF Career Center!**

Job seekers and employers have discovered the advantages of searching online for the best jobs and for qualified candidates to fill them. But when it comes to finding professionals in the property management industry, the mass-market approach of the mega job boards may not be your best avenue.

The **BOMA SF Career Center** gives employers and job seeking professionals a better way to find one another and make that perfect career fit.

For Employers: Target a focused audience of qualified industry professionals, post your jobs, search resumes, track applications and promote your company online.

For Job Seekers: Post your resume confidentially if you choose, search job listings and receive automatic email notification whenever a job matches your criteria.

To find a job or fill a position, visit <http://careers.bomasf.org> today.



<http://careers.bomasf.org>

"The BOMA CareerCenter is an excellent resource for reaching people interested in working in property management. I posted an opening for an Administrative Assistant position at Embarcadero Center and received resumes from three qualified candidates in the first week."

~Stephen L. Austin, RPA, Regional Property Manager, Boston Properties

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BOMA Congratulates “Deals of the Year” Winners

The *San Francisco Business Times* recently awarded honors to stellar performers in 2008. Three of the winners are BOMA member buildings.

555 Mission (Tishman Speyer)
Best New Office Building

409-499 Illinois (Shorenstein)
Best New R & D Project

633 Folsom Street (The Swig Co.)
Best Office Lease



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BOMA^{YP} NEWS

san francisco
young professionals

BOMA's Young Professionals group started off 2009 with the first of four Career Success Workshops entitled *How Recessions Impact the Real Estate Industry*. Industry veteran **Tom Gille, CAC Real Estate Management Co., Inc.** provided a thorough overview of how the current economic conditions compare to those of the past 40 years. Many of these young professionals have not experienced a down cycle and Tom's presentation gave them perspective of the challenges currently facing the industry.

Since we know that all work and no play isn't a wise decision, the Young Professionals Steering committee kicked off 2009 with a **St. Paddy's Day event** at the Holding Company on March 12. 100 people mixed, mingled and danced to the great tunes provided by committee member and DJ Extraordinaire, **Steffen Ringelmann, Double Day Office Services, Inc.** Big thanks to sponsors **Able Services** and **Peacock Construction**.

Next on the calendar is the April 9 **Career Success Workshop: *Communicating with Credibility***, featuring Steve Colvin, Boston Properties and Elizabeth Trowbridge, LBA Realty. The focus of the workshop is to

provide guidance to young managers who find themselves managing staff who might have more years experience in the industry. Steve and Elizabeth will share some valuable lessons learned from their own professional development paths. This workshop is sponsored by **LBA Realty**.

And, mark your calendars for the **2nd Annual BOMA^{YP} Spring Boat Cruise** on Thursday, May 15 aboard the Empress Hornblower departing from South Beach Harbor, Pier 40. Last year 125 people enjoyed the glorious 2 hour, bay cruise and we hope to increase those numbers this year. This event is sponsored by **Able Services, Peacock Construction, RN Field Construction, and Universal Protection Service**. An additional sponsorship is still available. Please contact Liz Henderson at ehenderson@cacremco.com for more information.

The complete calendar of events is available on the Get Involved/Committees section of www.bomasf.org. We look forward to welcoming young professionals of all member companies to get involved this year.



Clarifying Some Misconceptions About the State of the San Francisco Commercial Real Estate Market

A rebuttal to the 3/13/2009 front page article of the SF Business Times entitled: "Invasion of the Zombie Buildings.."

by Tim Ballas, board member of BOMA San Francisco

Unfortunately the above referenced article gives the wrong impression about the status of foreclosure activity in San Francisco. For the record, collective opinion on the debt situation in some of the City's buildings is that most of the financing problems are very likely to be re-structured vs foreclosed upon by lenders, due mainly to 2 factors. First and foremost, many of the loans made to finance buildings were done on a high loan to value ratio (LTV) such as 80-90% or were all-cash deals. Pretend you are the lender. Given 30 percent declines in property values, would you foreclose on a property that is well-leased at above-market rents (as is the case with many downtown properties) in this environment? Do you believe you could perform better than the current owners/operators? Most likely not. The direct vacancy rate is still a relatively healthy 13%, albeit with a growing sublease market, so what would be your incentive to foreclose? It is apparent to most experts there is a greater incentive to extend the terms of these loans in order to provide time for the market to recover. Unlike previous recessions, the scenario that will lead to foreclosure in this market is a lender who is un-willing to extend the terms of an existing loan.

Second, as accurately noted in the article, many of the loans are CMBS and will be difficult to unwind and cede control to a specific party without a protracted battle among the members of the "capital stack" (the lenders in order of priority who bought pieces of the original loan and who now make up the lending pool.) This situation will lead to the likely appointment of Special Servicers to re-work the terms of the existing loan so that the parties may continue under a new set of terms.

The real but temporary issue affecting the market is that it is under-demanded not over-supplied. To suggest that landlords provide Letters of Credit and Subordination and Non-Disturbance agreements as a matter of course, overstate the situation. Naturally, there are weak and unstable landlords that tenants should always be wary of, but by no means should anyone be painting a picture that this is the norm or even a trend. The vast majority of San Francisco buildings are owned by strong institutional landlords with

a proven ability to perform. And tenants in good standing who are not in default have a binding agreement that cannot be disturbed. According to a recent survey, the San Francisco office market consists of approximately 76 million square feet. In that number are over 100 Class A buildings in which 38 properties sold between 2005-2008. From that grouping, four (4) properties have significant debt issues.

Lastly, landlords pay commissions and fund tenant improvements in good markets and bad (creating many jobs in the process.) All San Francisco real estate professionals must remember we are in this together and emphasize the positives every chance we get. There is good news to report and many positive reasons for businesses to remain in or relocate to San Francisco (see extensive list of Incentive Programs promulgated by the City of SF.) These programs in addition to the Federal Stimulus will have positive effects for tenants, and we should all focus and communicate **those** messages in the media.



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Continued from page 1—BEPC

CCI have done an excellent job of developing a practical and highly useable EPC platform for our industry, owners, asset managers and property management professionals need to be aware that some common and industry specific challenges may still remain. Being aware of these challenges is a good first step towards creating an EPC project that can pay dividends for years to come.

- Traditional Performance based energy projects tend to focus almost exclusively on equipment replacements that offer efficiency improvement or reconfiguration of central plant systems to achieve the same effect. By their very nature, these projects can run into the millions of dollars, with simple paybacks of 10 years or more, depending upon the measures chosen. Owners will need to consider that under certain financing circumstances, an encumbrance such as this could create a complication in some future negotiation for the sale or ownership transfer of the property. The hold position for the property should therefore be considered.

- Energy Performance Contracting generally offers a method for improving overall building efficiency by

replacing or retrofitting older, less efficient building systems. Previous to committing to that replacement, however, building owners and managers should be certain that the existing equipment and systems are not simply in need of Retrocommissioning in order to improve efficiency. In many cases the causes of energy inefficiency are related to how a particular piece of equipment operates in concert with the rest of the systems in the building, rather than solely its age or relative efficiency rating. Retrocommissioning is a highly cost effective way to improve building systems performance and improve energy efficiency, often with savings up to 20% and paybacks that are 6 months or less. Performing building system Retrocommissioning ahead of or as part of a full scale EPC will tend to make any investments in equipment replacement or retrofit, considerably more cost effective. It will also shorten up the EPC paybacks and improve the project ROI.

- Investments of this magnitude are very likely to require outside financing as a Lease or Loan. In either case the lender, whether sponsored by the energy contractor or the owner, will require some form of collateral against the investment and normally the equipment being installed is insufficient on its own. Instead, the lender may wish to take a second position behind the primary mortgage on the building. Given the recent downward shift in property values, the building could already be upside down against the first mortgage. This could prevent a Lease or Loan altogether.

- Although the BEPC documents provide an excellent platform to contract for this type of work, the sections concerning the Guarantee of Energy Savings, the Baseline Calculation and the post project Measurement & Verification (M&V) will leave most industry professionals completely confused. This is not the stuff they teach you in Business 101 but more the domain of Energy Engineers familiar with such issues. Given that all of the contract risk is contained in these EPC elements, it is highly recommended that those who decide to proceed with this type of contracting seek the help of an experienced and independent 3rd party to review these sections in particular. Each of these issues, the Guarantee, the Baseline year selection and the M&V methodology have been a source of contract difficulties and disputes in the past, both within our industry and across the Performance Contracting market. Making certain that these sections are fully and adequately negotiated up front, with the support of an Energy

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Continued on page 14

Continued from page 13—BEPC

Engineering professional, will help to avoid misunderstandings and potential legal action later on.

- Industry professionals who decide to pursue the EPC opportunity should be aware that they have a very wide range of choices when sourcing a provider for their project. This not only includes the industry partners who helped to craft the BEPC but also, the independent Energy Service Companies (ESCO's) who do not represent specific products or services. A list of these independent ESCO's can be found by visiting the National Association of Energy Service Companies website at www.naesco.org.

Energy Performance Contracting is nothing new. It has been a successful method of improving the energy efficiency of all kinds of buildings, particularly in the public sector, for many years. And although this process has not been widely embraced in the private sector, particularly in the commercial real estate market, it has none the less proven to be a valuable tool for improving or upgrading energy consuming systems in existing buildings.

Energy Performance Contracting offers an opportunity to reduce operating costs at a time when that reduction is most in demand. BOMA and CCI have done an excellent job of developing the tools to initiate and manage an energy performance contracting relationship with any Energy Services provider. The elements of a sound ESCO contract all appear to be present and with little outside assistance the documentation can be used, almost verbatim, to proactively manage an EPC relationship.

The BEPC is an industry tool whose time has come.

Stephany Cull, BEP, CBCxP, CSDP, is Principal of RetroCom Energy Strategies, Inc., a leading technical services company focused on reducing operating costs for existing commercial, institutional and industrial facilities. RetroCom accomplishes this primarily through building system Retrocommissioning, Energy Engineering and Green Building Services.

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Available at www.boma.org

Members on the Move

Real Estate Talent Solutions is pleased to announce **Mark Johnson** as a Director in its San Francisco office. Mark has over eight years of retained search experience, 15 years of operations experience, and he is a specialist in executive assessments. Mark is responsible for developing executive search relationships in financial services and real estate on the West Coast including, Northern and Southern California, Arizona, the Pacific Northwest, Colorado and Texas.



Universal Protection Service, who stands among the top five privately-owned security companies in the nation and is the largest regional security company in the U.S., is proud to announce that Jeff Spicker has joined the company as Sales and Marketing Manager for the East Bay.

Formerly with August Supply, Mr. Spicker brings over 13 years of experience to the company.

RREEF is proud to announce the promotion of **Aaron Killen** to Assistant Property Manager and **Elana Rosenthal** to Property Assistant. Both work at Market Center and both are active on the BOMA Young Professionals Steering Committee.

BOMA Member **Ellen Eason**, a partner in **Eason Communications LLC**, will serve as president of the Northern California Chapter of the Hospitality Sales and Marketing Association (HSMAI) for the second year in a row. The group will focus its 2009 programs on helping hospitality professionals learn creative ways to market in a tough economy.

Karla Erovick recently added **LEED AP** certification through the US Green Building Council to her impressive list of achievements, which include publishing her first book and traveling to more than 12 countries many about which she has published travel articles. Karla has nearly 20 years of marketing experience on behalf of design, construction and development firms, including work in Dubai on a 1,400 acre mixed-use waterfront development project known as Dubai Festival City.

FME Architecture + Design recently announced the appointment of **William Stotler** as Chief Executive Officer and **Andrew Wilson** as Chief Financial Officer. Stotler was formerly Director of Marketing and Business Development for the firm and Wilson served as Director of Finance and Business Operations. FME also announced the promotion of **Michelle Lagos** to Marketing Manager. Lagos previously served as Marketing Coordinator for the firm.

Congratulations Mary Anne!



Marc Intermaggio thanks Mary Anne Bogue for her service to BOMA.

After 21 years of top-notch service to BOMA San Francisco, Executive Assistant and Office Manager Mary Anne Bogue retired on February 28, 2009. The association benefited from her attention to detail and excellent follow through. With her usual grace and constant smile, Mary Anne organized and executed a wide range of tasks, most notably the still talked about BOMA International Convention in 2003. Our best wishes to her in her retirement.

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