A Corporate Guide to Implementing a Sustainable Real Estate Program

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INTRODUCTION

Sustainability is no longer thought of as a passing fad but rather a business imperative across the globe. As a result of changing energy prices, anticipated carbon regulation, stricter future building codes, cost containment, limited natural resources, or increasing pressure from stakeholders, the question has clearly changed from whether sustainable design should be considered to why one would choose not to consider it. Today, one must explain why a sustainable design has not been employed.

Even with the economic downturn, corporate real estate executives are continuing to focus on sustainability because it drives real bottom line benefits. Benefits include, but are not limited to, providing a healthier, productive work environment for employees and attracting new employees.

While current studies have shown the cost of implementing sustainability initiatives decreasing, the present economic environment makes it hard to win internal support for initiatives that have short-term payback periods, let alone longer-term returns on investment. In addition, there is a dearth of "sustainable" buildings available for occupancy. Despite these challenges, a company can still make progress on sustainability efforts by focusing on its occupied space and existing real estate practices.

BACKGROUND

As more and more companies focus on sustainability, their corporate real estate and facilities departments will play a crucial role in making it a reality. Given that commercial real estate accounts for 30–40 percent of the atmospheric emissions, up to 40 percent of the nation's energy, 60 percent of all electricity, 25 percent of all water, 25–30 percent of all wood and materials, and is responsible for 35–40 percent of the municipal solid waste stream, it should come as no surprise that corporate sustainability programs are largely focused on reducing this impact.

Corporate real estate organizations are the stewards of their companies' assets and are positioned to provide the leadership needed to preserve and protect the environment while still meeting the needs of employees,

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shareholders and customers. Sustainability offers corporate real estate executives an opportunity to provide long-term value to their organizations and to establish themselves as strategic business partners. Real estate can also achieve substantial gains cost effectively compared to other industries.

The Energy Independence and Securities Act of 2007 mandates that all new federal leases be in ENERGY STAR buildings and that renewals undergo energy-efficient upgrades beginning in 2010. And, corporate real estate executives and departments are rapidly beginning to follow suit. More than two-thirds (70 percent) of corporate real estate executives recognize sustainability as a critical business issue today, and 99 percent feel it is or will be in the future, according to a new survey of 231 corporate real estate executives in September and October 2009, released by CoreNet Global and Jones Lang LaSalle (full report at *www.joneslanglasalle.com/pages/SustainabilityResearch.aspx*).

Moreover, 89 percent of those polled consider sustainability criteria in making leasing decisions, with 46 percent always consider energy labels (such as ENERGY STAR or HPE), and 41 percent always considering green building certifications (such as LEED®, BREEAM®, IEMA, NABERS Energy, Green Star, GreenMark or CASBEE).

So where should most companies begin? This article provides seven essential steps to developing and implementing an effective real estate sustainability program for a property portfolio. Whether one is with a large or small company, the same seven steps can be applied to ensure that a sustainability program aligns with corporate objectives and delivers cost efficiency, brand enhancement, and ultimately, a competitive property and portfolio advantage.[1]

STEP 1. COMMIT

Identify the company's overall sustainability vision. Define goals in alignment with the stated corporate goals, (e.g., zero emissions) and commit to achieving them.

Regulatory compliance (where appropriate) should be a minimum commitment. Also, consider strategies that set the company apart from its competition and go beyond cost savings to explore future revenue opportunities.

Figure 1

Company Goal or Pledge	Sample Commitment
Carbon Reduction Targets	• Locational strategies • Alternative Workplace Implementation • BOMA's 7-Point Challenge *(www.boma.org/getinvolved/7pointchallenge/Pages/default.aspx)* • 2030 Challenge *(www.architecture2030.org)*
Sustainable Innovator and Leader	• Construct a high-profile, Platinum LEED®-certified headquarters • ENERGY STAR Challenge *(www.energystar.gov/index.cfm?c=challenge.bus_challenge)*
Cost Reduction and Operational Efficiency	• Utility Reduction Plan
Risk Mitigation	• Regulation Compliance

Source: Temmink, 2010

STEP 2. ORGANIZE FOR SUCCESS

The right organizational structure is crucial to ensuring success. Some suggested methods for organizing for success include:

- Understand organizational challenges and knowledge gaps that might impact effectiveness in this area;
- Focus on proven talent and/or external experts to help develop the company's plan;
- Create a framework for identifying, documenting and monitoring the execution plan;
- Appoint a sustainability manager to develop the plan and recruit site champions and project managers who are accountable for implementing the plan. Identify “champions” among employees with the business knowledge, implementation skills, and above all, the passion for sustainability;
- Consider establishing a corporate-level steering committee to ensure all parts of the organization are working in synch.

STEP 3. ESTABLISH PILLARS

Sustainability is about more than just occupying green certified buildings. Therefore, it is important to take a programmatic, holistic view across certain identified pillars such as, energy, water, waste, business processes, transportation, real estate transactions, employee engagement, etc. Economies of scale should be considered and a real estate sustainability program for an entire portfolio of buildings can be, and probably should be, established. The identified pillars should relate to the program commitment.

Below is an example of outlining Energy as a Pillar and the corresponding areas of focus, approach, sample initiatives and resources (chart):

Figure 2

Pillar	Major Areas of Focus	Approach	Sample Initiatives	Resources
Energy (~30% of Building Operating Costs)	Manage **Supply**: Rates and Renewables Manage **Demand**: lighting, HVAC, plug loads and water heating	Employee Behavior (no cost/low cost)	Educate, post signs, challenge employees to turn off lights and equipment when possible	BOMA and certain facility service providers offers free energy audits and sample energy-performance contract *ENERGY STAR Building Upgrade Manual*, BOMA Energy Efficiency Program *www.boma.org/BEEP*, *Flex Your Power Commercial Best Practice Guide* (*www.fypower.org/com/bpg*) *Source: Temmink, 2010*
		Operations & Maintenance	Eliminate/reduce weekend hours, day cleaning, adjust thermostats, inspect air ducts, lower temperature, insulate pipes, eliminate water heating altogether, weatherize building, adjust startup times to match ambient weather	
		Equipment & Technology	T8 or T5 bulbs, occupancy sensors/timers, LED exit signs, programmable thermostats, water-cooled systems, green roof, solar water heating	

STEP 4. MEASURE, MEASURE, MEASURE

Establish the baseline for each pillar category. Mapping and qualifying such inputs make it easier to effectively develop a strategy and set goals. Furthermore, establishing a baseline helps express the benefits to encourage action and sustain the program.

Because sustainability programs are ongoing, they are best assessed and reviewed through a performance management structure to ensure continual improvement and success. This enables the continual benchmarking of a building's operations against itself to find inconsistencies. Metrics must directly relate to the company's sustainability pillars and should include both indirect and direct green house gas (GHS) emissions, where appropriate. Once metrics are identified, baseline measurements should be collected—preferably two years' worth of data.

Because most corporate portfolios are diverse across multiple geographies, one needs to identify which properties are relevant for the sustainability program. The initial baseline data might be more difficult to obtain if the program includes leased properties.[2]

Information that will help assess a building's areas of environmental impact should be collected and the baseline for each pillar (in addition to costs) established, from which savings are tracked going forward. Further operational factors that might impact the baseline can be determined. Additionally, it is important to evaluate the products the company purchases; many of those products might provide opportunities for "greening"—paper towels, light bulbs, refrigerators, furniture, flooring, paint, to name a few.

Analyze the baseline data using a recognized scoring system to assign ratings. Numerous scoring resources are available to serve as a guide for capturing the appropriate metrics, including ENERGY STAR (under the U.S. Environmental Protection Agency), the United States Green Building Council's (USGBC) LEED® certification program and others.[3]

STEP 5. PRIORITIZE

The next step is to identify and prioritize sustainable opportunities. Start small (e.g., a five percent reduction in energy and/or water use this year) but aim high (e.g, LEED-EB: O&M certification within three years). Develop plans that prioritize payback periods of initial opportunities so as to fund future initiatives (i.e., self-funding program). Often, the initial initiatives are employee- and/or customer-facing, with short payback periods (low cost/no cost). Examples of these would include recycling programs, standardized temperature set points, building energy audits, faucet aerators, daylight de-lamping, etc.

Many low cost/no cost initiatives can improve the performance of older buildings beyond that of a new building that is not properly managed.

Process improvements, technology modifications, property operations, customer experience, and employee suggestions should be included in the list of priorities. One should also consider operational strategies, quick fixes and equipment upgrades across the pillars to capitalize on the synergies among different measures. In new construction, this approach is referred to as integrated design.

When evaluating and prioritizing opportunities, it is helpful to use a standard template that includes the financial analysis (lifecycle cost and savings, government incentives), difficulty and time of implementation, and business and environmental benefits.

Whether a company funds sustainability with a pre-identified pool of funds (compare green initiatives against each other) or as part of the capital budgeting process (comparing against all company opportunities), a standard approach will help. Analyze the risks, benefits and long-term consequences of these initiatives with the same diligence as any other business opportunity.

STEP 6. IMPLEMENT

Successful implementation requires team ownership, best-practice sharing and employee engagement. With the portfolio plan in place, specific property implementation plans (including timelines) should be developed, as well as a training program for site champions and participants. Regular meetings should be held between site champions and the sustainability manager to monitor progress and program risks. As properties improve their measurement scores, the strategies can be evaluated and applied to other properties.[4]

Site champions should oversee daily operations, track and document information. Tracking results helps drive results, establish accountability and sustain the program. Documentation is important and can assist with future communication efforts as well as in future attempts to obtain green building certifications. It is worth noting that sometimes it more difficult to document achievements than to actually achieve them, so reporting paperwork should not prevent making real strides.

Guidelines and training strategies should be developed for each office location (e.g., site playbooks). Each office or group of offices should be assigned environmental or technical managers to help develop the environmental guideline and drive compliance.

Encourage employees to take greater responsibility for the environment by showing them the impact their actions have. For example, knowing that office buildings generate more than 300 pounds of waste per employee per year can be good motivation for throwing a piece of paper into the recycling bin instead of the trash.

There are many tools that can help provide increased employee engagement. For example: company Web sites, *Wiki Tools*, Million Acts of Green and Individual Carbon Footprint Calculators at *www.earthlab.com/*, etc.

STEP 7. REPORT AND COMMUNICATE SUCCESS

It is important to communicate both the intent and results of a sustainability program to internal and external stakeholders. Sustainability is a popular topic offering many opportunities to engage stakeholders. One can take advantage of these opportunities and develop a plan to communicate successes internally to senior leadership, the commercial real estate organization, operations staff, employees, and external constituencies.[5]

To effectively communicate, messages need to be delivered in terms people can understand—money saved, environmental mitigation, etc. Energy and water efficiency in particular, can be easily and immediately expressed in these terms. For example, converting kilowatt hours saved into equivalents such as cars taken off the road or forest acres preserved. Working in collaboration with internal functions like the corporate sustainability function and marketing, or external partners, can be of benefit in leveraging existing communication vehicles to publicize successes.

One challenge to note is that some components of green real estate management do not provide direct cost savings. Therefore, one might consider bundling the less tangible benefits to create a more powerful message about the organization's ability to impact global climate change.

In the past few decades corporate real estate executives have seen many paradigm shifts in the knowledge required to execute their jobs effectively (e.g., transaction managers to business unit relationship managers, managing internal talent to managing outsource contracts). Sustainability is yet another shift where executives are being asked to lead within their respective organizations. But as the global dialogue around sustainability continues to build momentum, the real estate sector is woefully underrepresented given the industry's ability to impact sustainability performance. Now is the time for real estate executives to lead the change in their organizations. Whether the driving motivation is cost savings or saving the environment—or both—now is the time to act. Hopefully, this guide will help those who are beginning this journey. ■

ENDNOTES:

1. Schinter, John and Diane Vrkic, "Sustainability: A Guide for Corporate Real Estate Executives," Jones Lang LaSalle, 2008.
2. Ibid.
3. Ibid.
4. Ibid.
5. Ibid.

ADDITIONAL RESOURCES:

Energy Policy Act Tax incentives at *www.energy.gov/taxbreaks.htm.*

Database of State Incentives for Renewables and Efficiency at *www.dsireusa.org.*

LEED for Buildings checklist: *www.usgbc.org/ShowFile.aspx?DocumentID=3621*.

Sustainable Business Forum Self-Assessment at *www.resourcesaver.org/file/toolmanager/O16F4770.pdf*.

ENERGY STAR Portfolio Manager for energy and water benchmarking at *www.energystar.gov/benchmark*.

Betterbricks Energy Management Checklist at *www.betterbricks.com/graphics/assets/documents/Energy_Management_Ckecklist_Form.pdf*.

Eco-SAT Green Purchasing Self-Assessment Tool at *www.cec.org/files/PDF/ECONOMY/Eco-SAT-2004_en.pdf*.

Muldavin, Scott R., *Value Beyond Cost Savings: How to Underwrite Sustainable Property*, March 2010.