

What is RPI & Who Cares?

**ULI San Francisco – Green Trends Program
Financing and Investing in Green Buildings**

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Hint –

It has something to do with:

- **Benjamin Franklin**
- **Triple Bottom Line**



- **Benjamin Franklin, whose Albany Plan of Union is widely regarded as a precursor of the Constitution's uniting of the American colonies, was also a sage and shrewd businessman.**

His philosophy, as told through *Poor Richard's Almanac* (1732 - 1757), to “do well by doing good” underscored the precept that helping for the greater good of the community is not merely altruistic, but good business.



Triple Bottom Line

Revenues

Less Expenses

=

People

Planet

Profit

They must all be positive for it to be sustainable!



What is Socially Responsible Investing (SRI)?

Why has SRI had little impact on Real Estate until now?



■ SRI

- SRI is an investment strategy based on social, environmental and other criteria, predominately within the securities industry

Examples:

- Tobacco (\$156 billion)
- Alcohol (\$135 billion)
- Gambling (\$41 billion)
- Defense/Weapons (\$34 billion)
- Community Relations (\$32 billion)
- Environmental (\$30 billion)



■ SRI in the 1960s - 1970s

- U.S. emergence with securities focus. Issues included anti-war, targeted pension fund investment
 - For Real Estate, this meant no assets that accommodated:
 - Bullets
 - Alcohol
 - Toxic Materials
 - The focus was:
 - Negative
 - Capital Driven



■ SRI in the 1980s

- Expansion and diversification. SRI funds and screens to match investor preference/issues (i.e., anti-apartheid)
 - For Real Estate, this meant assets such as:
 - ETIs – “Economically Targeted Investments” including Brownfield Development, affordable housing, responsible contracting, etc.
 - The focus was:
 - Positive
 - Capital Driven



■ SRI Today

- Extraordinary growth (\$2.3 trillion) and strong returns (i.e., Domini 400 vs. S&P 500)
 - For Real Estate, this means:
 - An alphabet soup of supportive entities and organizations such as RPIC, GBFC, ULI, BOMA, USGBC, EPA/ENERGY STAR, Green Globes, BREEAM, ICSC, etc.
 - A perfect storm of participants: vendors, developers, manufacturers, tenants, property managers, public officials, etc.
 - Economically driven
 - Not capital driven - - - yet!



What is LEED?

Why is LEED Important?

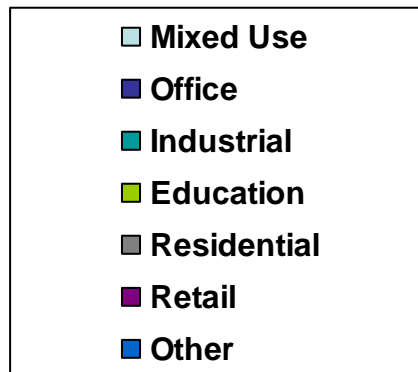
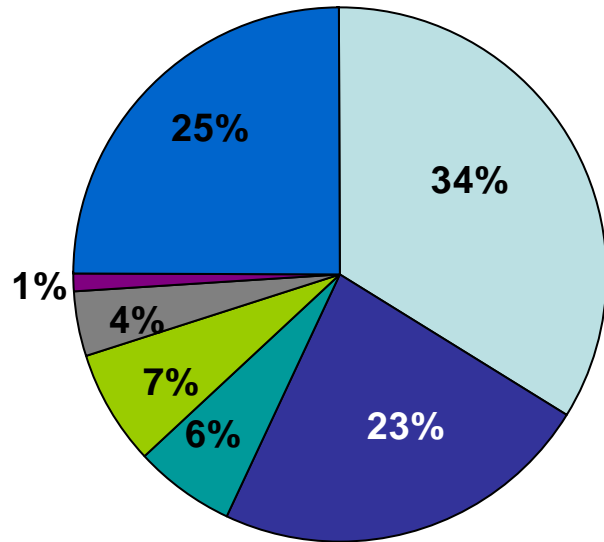
Why Not?



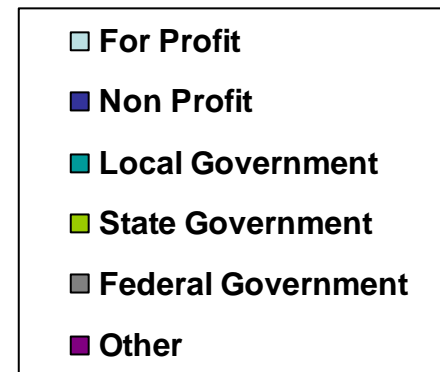
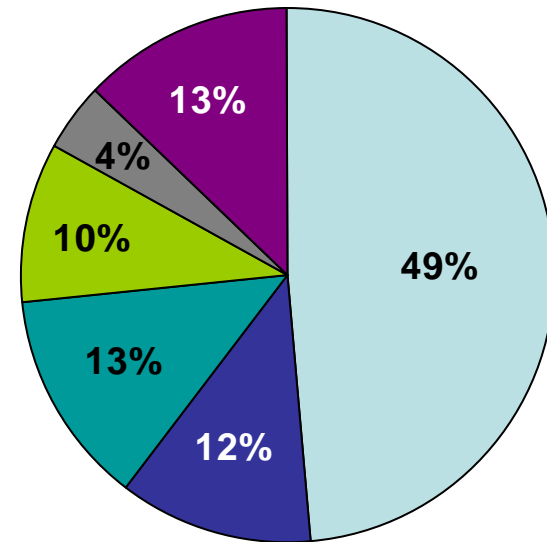
- **LEED is “Leadership in Energy and Environmental Design”**
- **Administered by the U.S. Green Building Council (USGBC)**
- **Provides project certification at varying levels against set of “sustainable” criteria or credits.**
 - Disproportionately used for new construction to date
 - Office has been the primary focus
 - Over 1,000 certified – representing > 122 million sf
 - > 8,000 registered – representing > 3.8 billion sf



LEED Certified by Product Type



LEED Certified by Owner Type



▪ **Covers less than 5% of all Real Estate stock.**



What About the Other 95%?

There is much to be done...



What is RPI?

**Why is RPI
Important?**



- **Responsible Property Investing (RPI)** is an approach to real estate investment and management that considers the broader social and environmental ramifications of developing and owning properties beyond traditional investor and fiduciary goals.

Social

People

Environmental

Planet

Economic

Profit

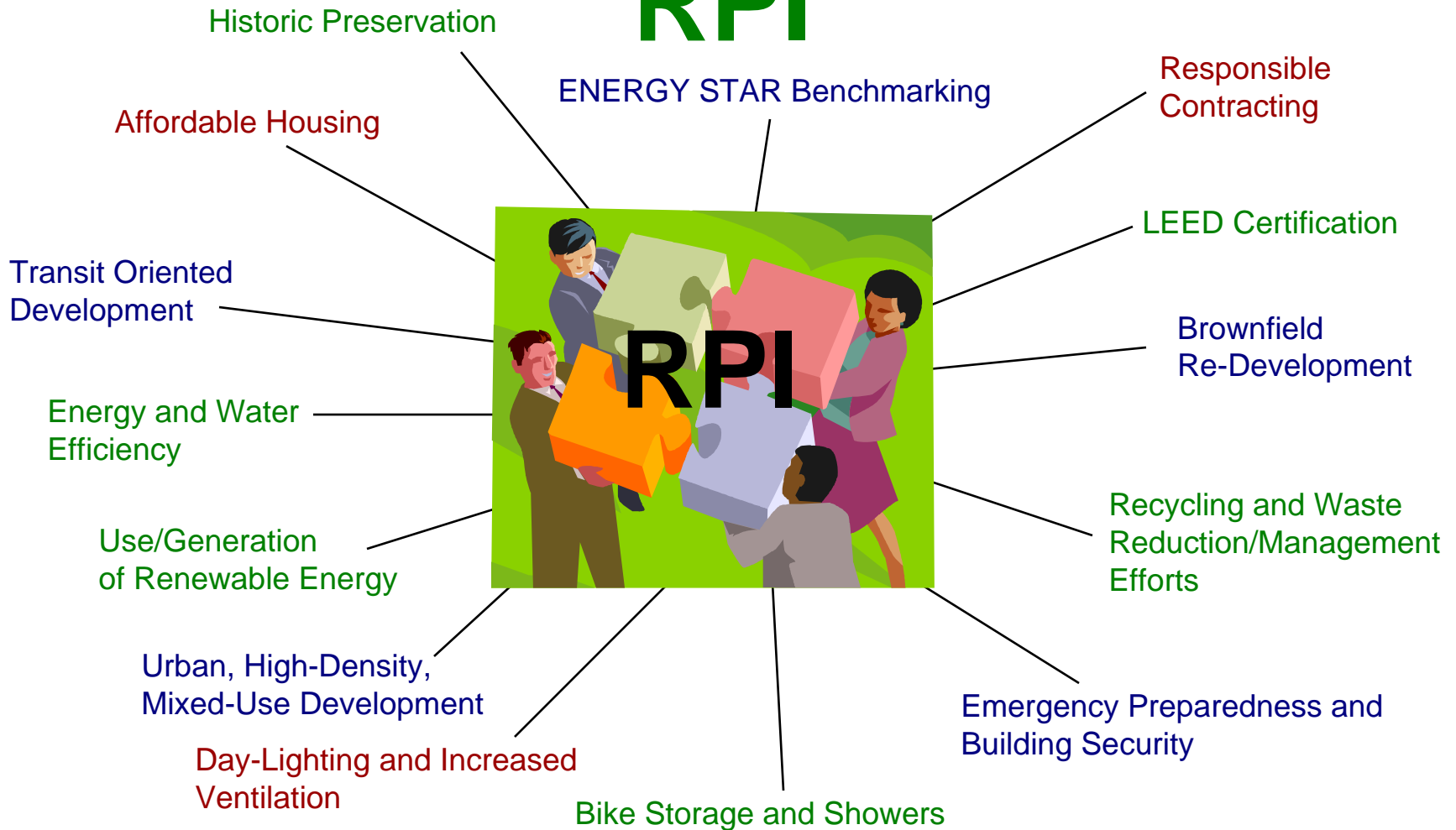


▪ RPI Includes 66 metrics organized in 10 core areas:

- Energy Conservation
- Smart Growth
- Urban Revitalization and Adaptability
- Worker Well-Being
- Corporate Citizenship
- Environmental Protection
- Local Citizenship
- Social Equity and Community Development
- Voluntary Certifications
- Health and Safety



RPI





■ RPI is:

- Behavior
 - Individual and Corporate
- Applicable to every property type, life cycle, and market
- Designed to create social, environmental and economic value
- Measurable
- Positive focused
- Anyone, any company, any asset that wishes to participate!



Where, When and How did RPI Originate?



- **RPI first recognized in the U.K.**
- **U.S. RPI movement propelled by March 2006 summit of investors, developers, SRI representative, trade associations and investment management leaders**
 - Prompted by investor desire to incorporate SRI principles into real estate investment management
- **RPI Center (RPIC) launched in 2007 directed by Dr. Pivo (Univ. of Arizona) and Dr. Wood (Boston College Institute for Responsible Investment)**
- **RPIC Steering Committee works to expand RPI participation, market recognition, and triple bottom line research.**



What is the Future of RPI?



- **Expand market acceptance and adoption.**
- **Foster a better understanding of the various costs and benefits of RPI .**
- **Provide hard data, research, and case studies on the financial impact of RPI behavior on investments.**
- **Support greater global consensus on sustainability.**
- **Help develop favorable public policy that supports “green” initiatives.**
- **Possible RPI formal certification with creation of methodology to measure performance/compliance.**



What Can You and/or Your Company Do?



- **Creation of corporate statement on RPI/Sustainability**
- **Audit of existing portfolio, policies and procedures**
- **Incorporate RPI metrics into:**
 - Acquisitions process & evaluation of new transactions
 - Asset management, property management
 - Valuation methodology
- **Commitment for everyone:**
 - Investors, Developers, Suppliers, Practitioners, etc.
- **National leadership: RPIC, ENERGY STAR, USGBC**
- **Get involved individually – making a difference is fun!**



**“Always do right,
it will gratify some
and astonish the rest.”**

~ Mark Twain