

REAL ESTATE Perspectives

CoreNet Global Southern California Chapter



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CRE Spotlight: Darren Osti

Head of CORE Services, DreamWorks SKG

Working in a high profile and high energy environment is nothing new to Darren Osti, given his past associations with Barry Diller and Frank Gehry. Those experiences prepared him to take on a large portfolio and development challenge with DreamWorks Animation, working with the senior management team which includes Jeffrey Katzenberg. They are doing something no other animation studio has ever done before, positioning the studio to produce three films a year. That, combined with moving to 3D technology and managing a wide array of capital projects and corporate services keeps the calendar full.

Prior to his engagement with DreamWorks Animation, Darren worked for several years with IAC/InterActiveCorp (IAC), a holding company for a group of companies including Ticketmaster, Match.com, Lending Tree, Expedia.com, Hotwire.com, Ask.com, and Home Shopping Network among others. In this position he was responsible for three hundred locations in 15 countries and 38 states.

The growth strategy at IAC was merger and acquisition centric, placing emphasis on consolidating locations and aligning services to leverage technology and eliminate silos. He consolidated the enterprise into two large home sites, an 180,000 sq. ft. Frank Gehry designed headquarters site in Chelsea, NY and a west coast presence in West Hollywood. He managed hundreds of millions of dollars in capital projects which included a large cross-company data center consolidation, made even more interesting by the realization that he did not speak the same language as most of his critical technology stakeholders. That put an emphasis on developing trust relationships in both directions to enable balance of criteria, rapid decision making and deployment.



Darren Osti

The ROI of Green Design- Societal, Financial and Image

by Sandra Goda Dino
LEED AP, Director, Sustainable Interiors Department, Environetics

Forward by: Rodney Stone, President, Environetics

Dear Colleagues,

Today, we are faced with many challenges. How can we sell sustainability to our clients? How can we better educate and inform? I enlisted the support of our Department Head of Sustainable Interiors; Sandra Dino to perform a study on sustainable design. Sandra felt it appropriate to provide a good collection of data on the subject to empower the greater commercial real estate community on current ROI's related to LEED Certification and Energy Star. The information is equally important for our corporate decision makers in the C Suite that we work with on a daily basis. At Environetics, part of our greater mission includes the support of our clients to make appropriate, informed, and educated choices tailored to their individual needs. I hope you enjoy the following article by Sandra.

Best Regards, Rodney Stone

Societal ROI

A recently released study by a team of environmental researchers in the U.S. warned that the effects of global warming are irreversible. The report, sponsored by the U.S. Department of Energy, states that "global temperatures could remain high for 1,000 years even if emissions can somehow be halted." This replaces the previous belief that if the world's countries stopped emitting carbon the climate could go back to normal in 100 to 200 years.

When this news is added to the challenges presented by today's economic crisis, it's easy to adopt the attitude that "the world is coming to an end." Yet, stepping back, this confluence of events actually presents every interior design, architectural and LEED professional with the opportunity to have a significant societal impact using green design.

A grassroots movement has already begun on a state and local level thanks to many elected public servants. California, for example, signed into law Assembly Bill 32, a major initiative for reducing climate change or greenhouse gas emissions. The Senate passed Bill 375 that requires metropolitan planning organizations to include sustainable communities strategies in their regional transportation plans in order to reduce greenhouse gas emissions, align planning for transportation and housing, and create incentives to implement the strategies.

In addition, the *Los Angeles Times* reported on the findings of a study conducted by "Next 10," a non-profit research group, that indicate "green collar" jobs are the fastest growing in the state and that clean technology investment hit a new record in 2008 despite steep market declines. It went on to state that 1.5 million jobs have been created in California over the last 30 years due to energy efficiency measures and that green employment increased 10% between 2005 and 2007 compared to other job growth over the same period.

On a national level, incentives, rebates and tax cuts exist for business owners, especially for small and mid-size businesses, which are moving forward with retro-fits, construction and design of high performance buildings, schools and infrastructure improvements. These investments in green materials and systems will deliver long-term savings (compared to the rising costs of utilities) and ultimately, much greater energy efficiency. These practices are not only good policy for the environment, but for society's energy independence and national security. The new administration appears to be acting quickly to expand the nation's commitment to green initiatives, having, within the first month in office, announced orders to have the EPA conduct an immediate review on states' requests to set pollution standards for new cars. The order also directs the Department of Transportation to increase efficiency standards on a national level. In addition, the economic stimulus package supports bringing the United States up to speed in the fight against global warming in many ways.

By learning from previous generations' practical philosophies – waste not, want not, a penny saved is a penny earned, and when something breaks, fix it (versus throwing it away) – and aligning these axioms with today's focus on sustainability, carbon reduction and conservation, entrepreneurs, manufacturers, government officials, financial investors and environmental stewards will clearly see the ROI of Green Design.

Financial ROI

Interior designers, architects and LEED consultants are constantly faced with having to make the business case for clients to go green. Many clients face the challenge of reducing capital costs while still meeting high operational goals. Often, clients are tenants in buildings where they have no control over core systems tied to their spaces. Clients need to be counseled and provided with the tools that link ROI with investments in sustainability and empower them in the space selection and lease negotiations on items such as the term, separate water and power meters, and other issues tied to conservation.

Recent studies, such as CoStar's "Does Green Payoff?," provide some valuable metrics. This systematic study, which examined more than 2.4 million properties in the CoStar database across the United States, provides data on Energy Star and LEED certified buildings vs. non-green counterparts. The results are stated as "promising" and support moving toward sustainability. CoStar's CEO reported that, "The information we've discovered is very compelling ... Green buildings are clearly achieving higher rents and higher occupancy, they have lower operating costs, and they're achieving higher sale prices."

The study specifically finds that LEED buildings command rent premiums of \$11.24 per square foot and have 3.8 percent higher occupancy over their non-LEED peers. Additionally, rental rates in Energy Star buildings represent a \$2.38 per square foot premium over comparable non-Energy Star buildings and have 3.6 percent higher occupancy.

Regarding the LEED Rating System & Certification sections, data published by the U. S. Green Building Council shows that as of 2007, the following metrics on capital costs exist on average:

- Certified: 0%
- Silver: Between 1% and 2%
- Gold: Close to 2%
- Platinum: Between 6% and 7%

Also well noted in the CoStar study is how regional differences impact these numbers (See Exhibit 9 in study, www.costar.com/josre/pdfs/CoStar-JOSRE-Green-Study.pdf). In California for example, with AB-32 being enacted to curb carbon emissions, volume demand in the marketplace coupled with cap and trade regulations will continue to drive premiums down. Additionally, the Obama administration supports a cap and trade system to reduce U.S. carbon emissions 80 percent by 2050. The administration's stimulus package is indicative of that goal.

So how can tenants negotiate and leverage effective green leases and move toward these targets? The Corporate Realty Design and Management Institute assembled a panel of experts to create a "Model Green Lease" (www.squarefootage.net/about_us.htm) with 10 essential elements, many of which contribute to LEED Certification. The elements include:

1. Environmental Performance
2. Rent Structure
3. Energy Use by Tenant
4. Operational Performance
5. Annual Performance to Tenants
6. Hazardous Materials
7. Green Cleaning: Daytime Cleaning & Recycling
8. Building Rules and Regulations
9. Fit-Out of Tenant Spaces
10. Tenant Manual and Development Guidelines

In addition, the panel advocated consideration of other items such as longer lease terms, the language of the lease, the ability for tenants to pay and monitor their utility consumption separately or realize cost savings or to realize a reward for savings where these items are included in the base rent, and the negotiation of green housekeeping contracts.

These straightforward steps help create safe, healthful environments that save energy and operational costs for the building owners and their tenants.

Corporate Social Responsibility

More than ever, Corporate Social Responsibility (CSR) is relevant today, not only in terms of image, but also in terms of financial and societal gain. Though corporations may be tempted to cut back on CSR programs, everything indicates strong support by Federal and State governments to reward businesses that act "responsibly." Cap and trade regulations are examples of these policies that work to improve the environment and reward responsible companies at the lowest possible economic cost.

Without a doubt, businesses must look at the ROI of green design from all angles - societal, financial, sustainable, and philanthropic – and at how in today's market, they can best leverage green design to benefit their employees, supply chain and image.

Valley 2009 Economic Summit to Feature Current Trends & Market Outlook

Mark your calendars! The Valley Economic Summit set for May 6 will feature a morning packed with the latest economic and real estate market trends facing the Valley today.

This 4th annual summit is the only event of its kind held within the five city region and will provide valuable and applicable information beneficial to everyone conducting business in the San Fernando Valley and beyond.

This premier happening will be held on Wednesday, May 6th, from 7:00 a.m. to 12:30 p.m. at the Sheraton Universal Hotel in Universal City. Co-presented by The Valley Economic Alliance and California State University, Northridge, the Economic Summit has been growing in its attendance and popularity every year and we expect another large audience to learn of coming trends that can directly affect their bottom line.

The Valley Economic Alliance and California State University, Northridge are strategic allies that have a history and shared vision of stimulating the economic base of the region and both institutions strongly believe that realizing a resolute and prosperous community is a shared responsibility and a common endeavor.

The Economic Summit will showcase an inspiring lineup of speakers and knowledgeable panelists highlighted by the Valley Economic & Real Estate Report by the University's College of Business & Economics and The Center for Real Estate.

Early registration is encouraged and additional information can be found at our web site: www.economicalliance.org or by calling **(818) 379-7000**.

We look forward to seeing you there!

