

Meeting Minutes

Date: December 9th, 2004, 5:30-8:00pm
Location: The Carriage House Center,
149 East 38th Street, New York, NY 10016
Host: Steve Godeke, Godeke Consulting, steve@smgodeke.com

1. Introductions

Steve welcomed the group and thanked Earthpledge for providing the wonderful venue. SPN now has over 200 registered members and all should encourage other professionals to join. (Go to finance.groups.yahoo.com/group/SPNetwork.)

2. Reports and Announcements

Given that we are in the wake of the Fall Conference/Convening/Summit season, several members presented their impressions of conferences that they have attended. The intent is to provide other members with an efficient way to learn about conferences that they are not able to attend.

- Business for Social Responsibility Conference, NYC October 2004 (Andrew Winston, Yale School of Forestry) - see *Powerpoint Presentation posted to SPN website*
- Women's International Networking Conference, Geneva, Switzerland, October 2004 (Birgitte Racine, Lucita)
- Society for Organizational Learning Meeting, Dearborn MI October 2004 and The CAP/AccountAbility Meeting, Toronto October 2004 & Equator Principles Update, October 2004 (Bill Russell, SKN Worldwide)
- Net-Impact Conference, Columbia University, NYC, October 2004 (Jackie Ottman / Judy Sandford)
- Triple Bottom Line Investing Conference, Amsterdam, November 2004 (Steve Godeke)
- ShiFT Magazine (Aaron Kenedi)
- Eco-Metropolis, NYC, October 2004 (Nicolas Miller, Lucky Design) – see *detailed notes posted on web site*

Upcoming events that SPN members are encouraged to help organize and promote:

- Verdopolis, NYC, February 8-12 2005. Leslie Hoffman, of Earthpledge announced Verdopolis (“Green City”). A series of events celebrating innovations and investigating possibilities of sustainable urban development. It will take place at 4 Columbus Circle. See www.earthpledge.org for details, calendar, participants and ticket info.
- Climate Change Risks & Opportunities: Learning from the Leaders, NYC, 2005. John Cusack, Gifford Park Associates, announced this event in development, the goal of which is to have a climate change conference

which does NOT attract the same old converted companies, but will attract the fence-sitters. The dates are not set, but contact John to learn more. (johnlcusack@att.net)

3. Round Table Discussion: 'Overcoming Obstacles to Financing High-Performance Buildings'

Moderator: Michael Gresty, Kinetix [business ecology]

Participants: Mark Harari, Bruce Kahn, Thomas Scarola, and Leanne Tobias

Mark Harari (phbCatalyst Group) began the round table by enumerating some of the major obstacles to financing high-performance buildings. (See Mark's notes posted separately.) Especially important are the lack of suitable metrics to determine valuation from an investment and risk perspective, and the disincentives that result from the typical split between first cost and operating costs, or between owners and tenants, in most real estate developments. These effects are even more acute in the low-cost housing market, which is even more formula driven and resistant to innovation.

Tom Scarola (TishmanSpeyer) remarked that on the development side there are now very effective systems in place to control costs and that many of the professional involved have learned what works, so it is typically possible to deliver high-performance products at a premium of only \$1.50/sq.ft. Tom also remarked that the LEED system needs to move to the next level because it is too easy to obtain many of the points without doing anything innovative. DOE-2 and other simulations identify energy savings opportunities, but the value of commissioning and the link between environment and productivity still need to be proven to the satisfaction of developers and tenants.

Leanne Tobias (Malachite LLC) commented that the timing is good for a 'green' REIT for a number of reasons: (1) the real estate cycle has hit bottom and should rise over the next 12-18 months with an upswing in construction, (2) the substantial quantity of investment assets seeking placement in real estate, (3) potential diversification appeal for unions, pension funds and SRI funds among others that currently do not have suitable opportunities for placement in sustainable real estate, and (4) the increasing sophistication of the market delivery mechanism for high quality 'green' buildings. Leanne also commented that recent successes such as the Solaire (Battery Park City) have confirmed market demand for 'green' products.

Bruce Kahn (SmithBarney) remarked that a 'green' REIT would fill a gap in the investment marketplace and would provide retail investors with access to investment in high-performance real estate development. However, REIT analysts are not currently considering 'green' issues in their risk and performance assessments. Even energy efficiency does not factor in significantly. Work needs to be done to persuade analysts to revise their models, including some from SRI funds.

In the discussion that followed, a number of related issues came to the fore:

- * the need to quantify the broad range of benefits of high-performance design over a 25-year time frame
- * the benefits and costs of using traditional discounted cash flow analysis to evaluate green projects
- * the concept of 'white tags' as fungible commodities for buildings that reduce energy consumption
- * disincentives from utilities that can punish cogeneration initiatives by forcing building owners to pay higher standby rates
- * the shortage in supply of green buildings to meet market demand
- * more attention needs to be paid to other benefits of high-performance design, such as reduction in water consumption, waste streams, and parking requirements.

4. Other Business:

The next SPN meeting will be scheduled for February 2005. Anyone interested in proposing topics for this or future meetings should contact Michael Gresty at gresty@kinetixllc.com.

The attendance list has been distributed separately and is available for download from the website.

Meeting minutes by Steve Godeke and Michael Gresty