

Good morning Chairperson Norton, Ranking Member Graves, and members of the Subcommittee. Thank you for holding this important hearing on “green” buildings and inviting me to testify today. I am Robert Shovan, Senior Property Manager and Senior Vice President of Transwestern. I am here today on behalf of the Building Owners and Managers Association (BOMA) International and its Washington, DC affiliate, the Apartment and Office Building Association (AOBA). I am accompanied today by Karen Penafiel, BOMA’s Vice President for Advocacy, and Shaun Pharr, AOBA’s Senior Vice President of Government Affairs.

### **About Transwestern**

Transwestern is a privately held, national commercial real estate firm focused on creating value for our clients in each local market we serve. We have a unique business model that combines fully integrated services and operates through six lines of business: development, tenant advisory, investment services, agency leasing, property and facility management and research. Transwestern is proud to say that we have fully embraced sustainability concepts in our property and facility management and we constantly strive to improve the quality of our buildings for the good of our tenants, for our environment, and for asset value.

### **About AOBA**

The Apartment and Office Building Association of Metropolitan Washington (AOBA) is the leading membership organization representing commercial and multi-family residential real estate in the Washington Metropolitan Area. Its members own and/or manage commercial and multi-family residential properties, as well as provide products and services to the real estate industry. The current combined portfolio of AOBA’s membership is over 160 million square feet of office space, and over 200,000 apartment homes in the District of Columbia, Maryland, and Virginia. In 2000, AOBA created a wholly owned subsidiary, the AOBA Alliance, Inc., which facilitates and streamlines low-cost procurement of energy services for multi-family and commercial office buildings throughout the metropolitan area. As the largest customer-based aggregation group in the area, the Alliance has aggregated loads for over 200 companies, with more than 600mw of peak electrical load.

## **About BOMA International**

Founded in 1907, the Building Owners and Managers Association (BOMA) International is an international federation of more than 100 local associations and affiliated organizations. BOMA International's members are building owners, managers, developers, leasing professionals, medical office building managers, corporate facility managers, asset managers, and the providers of the products and services needed to operate commercial properties. Collectively, BOMA members own or manage more than nine billion square feet of office space, which represents more than 80 percent of the prime office space in North America. BOMA International has a long history of involvement in energy and the environment. BOMA's commitment to market transformation earned it the prestigious Energy Star *Partner of the Year* award in 2007 and 2008.

I was invited here today to discuss the sustainability efforts underway within the private sector and specifically here in the Washington metropolitan region, and what is driving the office building industry to adopt energy-efficient and sustainable operations and management practices. Over the last several years, Transwestern has found that the shift to “green” or sustainable buildings is as good for business as it is for the environment. In our present economy, construction costs continue to rise. Our operating costs – such as energy, insurance, taxes and payroll -- continue to rise, as well. Rent increases are not enough to compensate for these rising costs, so we simply need to find ways to lower our operating costs. Lowering our energy consumption is an obvious place to start.

But energy is only one component of a “green” or high-performance building, and many other elements of a sustainably managed property are cost-neutral. For example, to change policy, procedures, or products overall is cost-neutral for recycling, implementing a “green cleaning” program that includes training the janitorial employees and switching to low-VOC emitting cleaning products, implementing environmentally-friendly pest management programs, and improving the building's filtration system.

Because we believe in the value to our tenants, to the environment, and to our company's bottom line, Transwestern has 51 buildings equaling 17,000,000 square feet committed as part of the

U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Existing Building Portfolio Pilot. Transwestern's own corporate office in Chicago is LEED certified. In addition, we are proud to note that we recently won the EPA Energy Star Sustained Excellence Award for the third consecutive year. Transwestern has been involved with the Energy Star program since 1999. Here in Washington, DC, Transwestern is not alone in our adoption of energy efficient and sustainable management practices. Many real estate firms with properties in the region are participating in a broad and growing range of "green" initiatives-- independent, I might add, of statutory mandates to do so.

However, as you know well, Congresswoman Norton, despite the presence of numerous cranes across the skyline, commercial Washington D.C. is largely a built environment. That the construction divisions of AOBA's member companies are increasingly embracing the "green" movement and building new buildings to LEED standards is a growing, but fairly recent, phenomenon. There is an equally important role which falls to the property management side of such firms (or to outside firms brought in to manage buildings): that of finding ways to increase the energy efficiency and sustainability of the existing buildings in our portfolios. Property management professionals, too, recognize the critical significance of energy conservation to contain costs and reduce environmental impacts. But it is also essential that elected officials and the public understand that realizing energy efficiency and sustainability gains in existing buildings presents an array of considerations and variables quite different from those involved in new construction.

So, for instance, I might be very persuaded of the merits of a "green roof" for an existing building, but there may be structural factors that render it impractical; or, it could simply be that the current roof is only four years into its useful life and, thus, is simply too "new" to justify its reconstruction. Storm/gray-water capture and re-use techniques are increasingly being designed into new buildings; but, as desirable as they may be, adapting them to an existing structure will often be impossible.

Similarly, the operating cost savings from more energy-efficient elevator technology may be demonstrable, but what about the capital costs of replacing the sixteen, still very functional elevators in my building? Will the owners, and ultimately the tenants, be persuaded of the value of doing so, and of enduring the attendant tenant disruption? Will the answer be different if it's coming from GSA, which leases roughly one-third of the privately owned office space in Washington? I must mention, too, for AOBA's housing providers, that regulatory programs such as rent control and historic preservation can often constrain the ability to undertake proven energy reduction measures like window replacements or individual utility metering.

These are some of the realities involved in undertaking "green" initiatives in the largely built environment. The good news is that there is a growing interest in and commitment to doing so; increasingly, it is a matter of "when," not "if," and of "how?" rather than "why?" To that end, AOBA is undertaking a number of initiatives to assist its members. This month, it launched a new Energy Managers Roundtable, a peer-group forum that brings together executives responsible for energy management and conservation in local office and apartment buildings, to share best practices regarding energy management issues, technologies, equipment and vendors. AOBA is building a "Going Green" website, specifically focused on existing buildings, which will include case studies, helpful resources and a comprehensive outline of all green-related local laws, regulations and incentive programs. In September, AOBA will hold a "Green Conference" that will address the unique issues associated with the "greening" of existing multifamily and commercial office buildings.

AOBA is also one of the most recent BOMA affiliates to officially sign onto BOMA International's "7-Point Challenge." BOMA's 7-Point Challenge has been voluntarily endorsed by many of the largest companies that own and operate buildings in the U.S., and is perhaps the best illustration nationally of the private sector's movement toward energy efficiency. In the fall of 2007, BOMA International called on its member companies to take proactive and aggressive steps to lower energy consumption across their portfolios by 30% by 2012, in comparison to an average building (defined as a building earning a score of 50 on the EPA Energy Star benchmarking tool in 2007). To date, over 30 companies have accepted the challenge. These

companies include well known names such as Transwestern, CB Richard Ellis, Cushman & Wakefield, USAA Real Estate and RREEF, to name some of the largest real estate companies, as well as many smaller local and regional companies. Local governments across the nation are also beginning to partner with local BOMA associations to share knowledge, training and best practices to achieve the goals of the challenge.

BOMA has also partnered with the Clinton Climate Initiative (CCI) to help bring the many benefits of the CCI Existing Building Retrofit Program to private sector office buildings. To this end, BOMA has been negotiating with several large energy service companies (ESCOs) and lenders to create a model contract for energy performance contracting. Energy performance contracting is a method to finance energy retrofits that is commonly used in public sector buildings. ESCOs retrofit the equipment and the owner repays the loan with the money saved through lower energy costs. This method of financing has not been widely used in the private sector and the new BOMA-CCI model contract is expected to overcome many of the barriers to its acceptance by the industry.

BOMA International strongly believes that energy efficiency and carbon reduction efforts are well underway in the commercial office building industry. Voluntary efforts and programs, such as the EPA Energy Star program and the Clinton Climate Initiative, are bringing tools to our members to assist them in their efforts. We look to Congress to continue to encourage this type of action and other incentives and refrain from implementing unneeded and costly mandates.

We thank the Subcommittee for holding this important hearing, and look forward to working with Congress and other public and private sector partners to achieve our mutual goal of market transformation in the built environment.