

Green Building Underwriting

Capital Markets Paradigm Shift

Market Based Solutions Complimenting the
Obama Administration's Better Buildings Initiative

**Market Transformation
to Sustainability**

White House Briefing
March 2, 2011



Purpose of Today's Meeting

To introduce you to market-based approaches to sustainability which compliment the administration's Better Buildings Initiative.

MTS' intention is to:

- **Support the Administration's stated objective to generate needed economic growth and create jobs;**
- **Present a market-ready solution built on an existing, successful business model and market precedent; and**
- **Begin a dialogue with the Administration on the support necessary to begin a meaningful penetration of the market.**

SOLUTION:

Embed **Green** in Wall Street

Implement policy goals through
capital markets paradigm shift

Complimentary component of
the Better Buildings Initiative



**Wall Street's longer-term impact
has a significant multiplier effect**

Transparency supports
efficient markets

Stimulates Job Creation

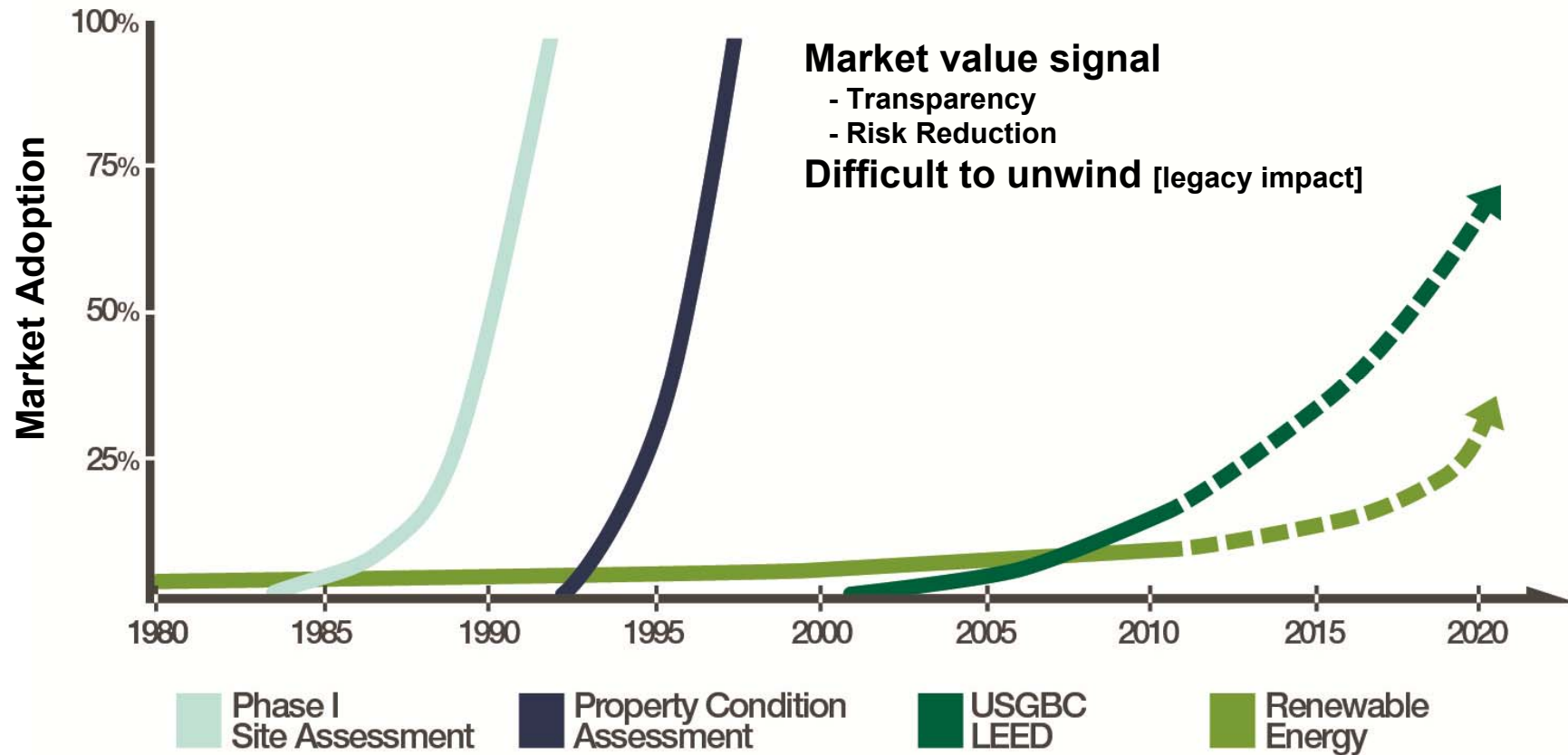
Immediate Impact in 2011/12



Precedent: Market-Based Solutions

Phase I/II Environmental Site Assessments

Property Condition Assessment Report



Supported by US Conference of Mayors

June 2008 Resolution



Addressing Long-Term Issues

- Climate change
- Energy efficiency
- Economic competitiveness
- Financial market confidence
- Increased asset valuations
- Energy security
- Exportable innovation
- Job creation



Launched at NYSE | Euronext

CMP's National Consensus Green Building Underwriting Standards



Developed with leading financial institutions and governments

- Green Building Underwriting Standards unanimously approved
- Launched by CMP and JPMorgan at NYSE | Euronext



**Congresswoman Carolyn Maloney
Past Co-Chair of Joint Economic Committee**



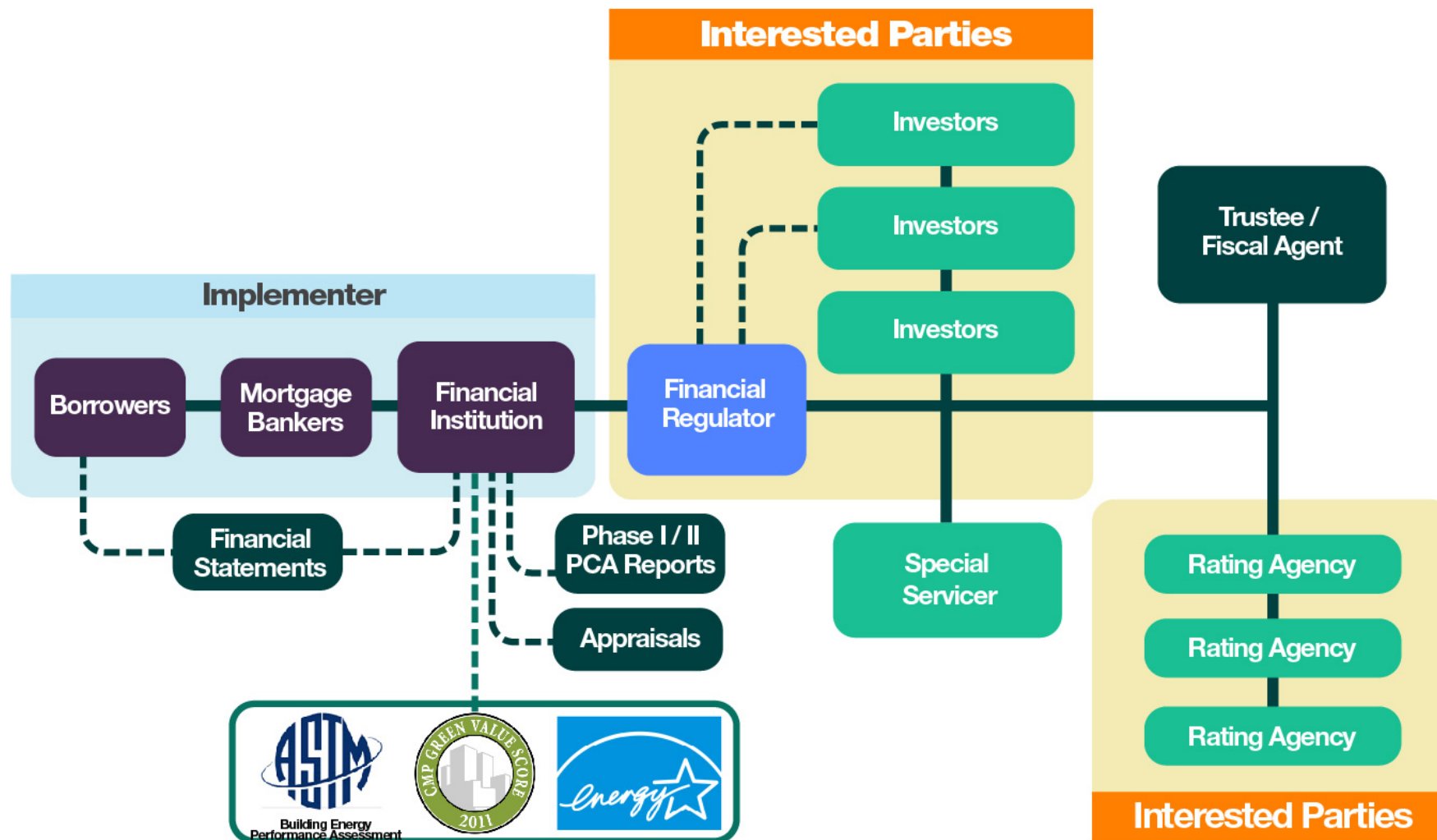
Market Tested

Version 2.0 Released

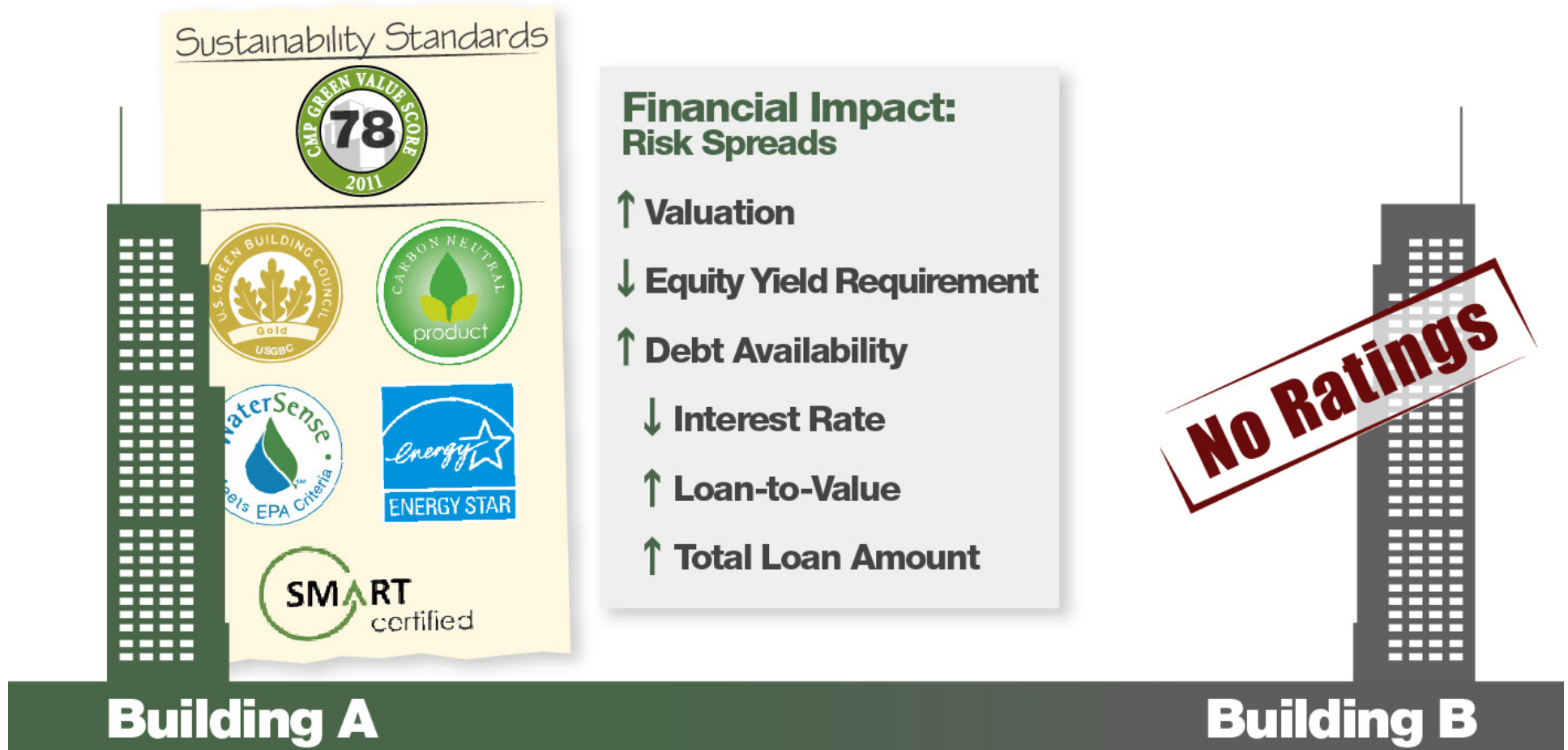
- **CMP Green Building Underwriting Standard**
 - 2010 market testing
 - Over 100 buildings
- **Results incorporated into Standard**
 - **Score interpretation system**
 - Tier 1 [CMP Green Value Score = 25-50]
 - Tier 2 [CMP Green Value Score = 51-75]
 - Tier 3 [CMP Green Value Score = 76-100]
- **Standard subsequently amended and released as v2.0**



Impacts on Public Debt Market

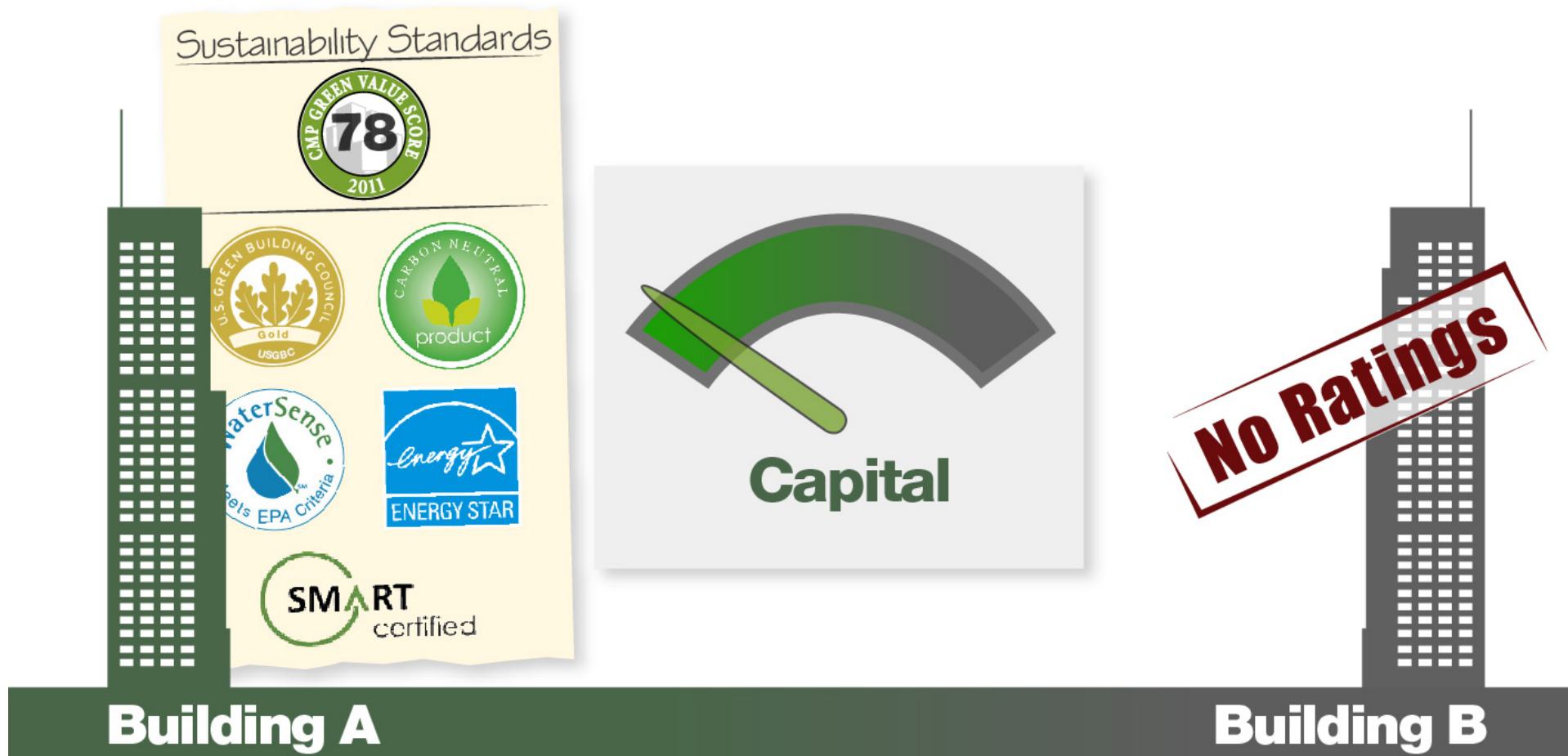


Financial Recognition of Added Value



Capital Preferences

Buildings with sustainability-based attributes



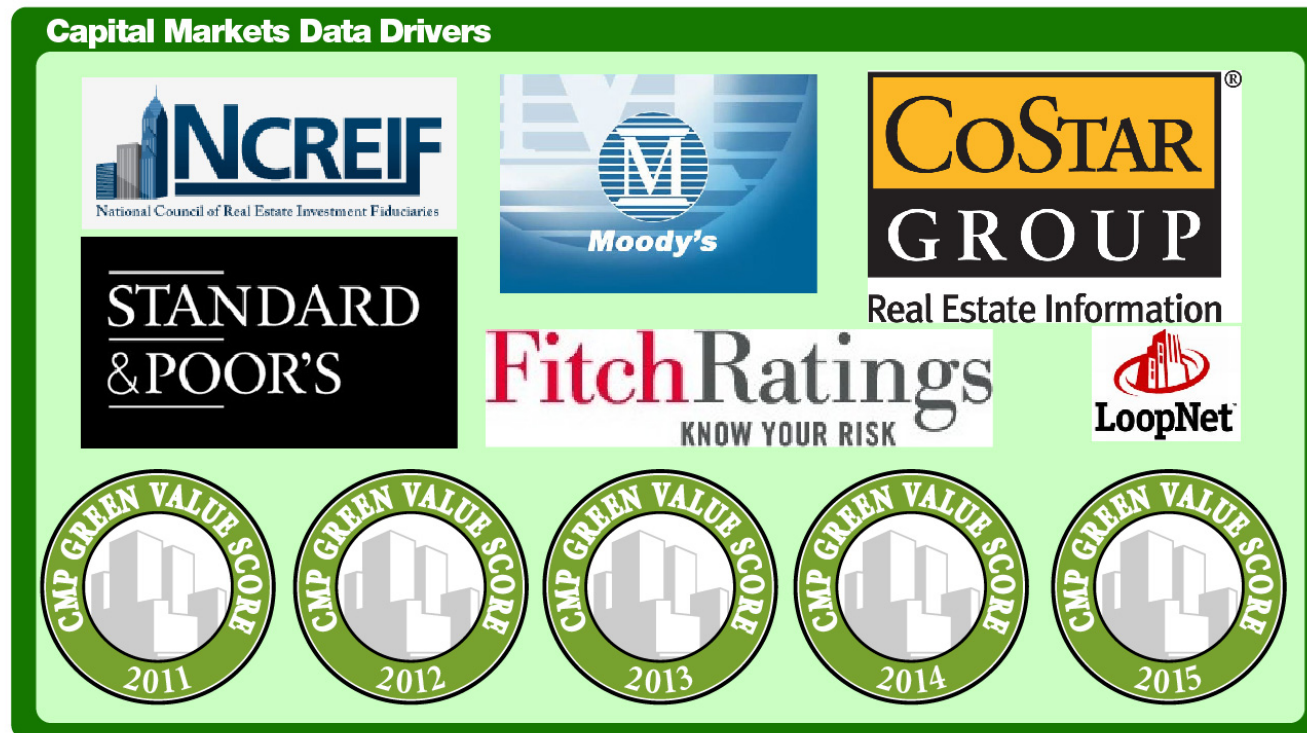
Market Mechanisms Support Public Policy



CMP Supports Wall Street

CMP Green Building Underwriting / CMP Green Value Score

- **Uniquely meets green building financing requirements**
 - Federal Housing Finance Agency
 - Office of the Comptroller of the Currency
 - Federal Trade Commission
 - Consensus standard requirements of Wall Street



Fireman's Fund: Insurance Leadership on Green Buildings

**Presented by:
Stefan Mueller**

**Sustainable Enterprise Management [Representing Fireman's Fund]
Managing Director**

Insurance - a first step to aligning capital and financial markets...



A company of **Allianz** 

Fireman's Fund – National Leader in Green Building Insurance

- 2006: Launched nation's first certified green building coverage**
 - Incorporating unique building technologies and management practices into underwriting
 - Recognizing risk reductions with up to 5% premium credit
- Expanded coverages to meet growing market demand:**
 - Expanded from LEED certified buildings to include EPA Energy Star rated buildings
 - Launched nation's first green building coverages for residential
 - Developed upgrade coverages that rebuild to green standards following an insured loss in traditional ("brown") buildings
 - Added coverage for loss of green building-related financial incentives, including tax credits and deductions, utility rebates, loan discounts
 - Risk Services Consultants use EPA Portfolio Manager to map out energy use

Show business opportunity, and the financial market will respond...

- Competitors followed rapidly w/similar coverage**
- Fireman's Fund green coverage premium volumes increased sixfold between 2007-2010 to an estimated \$250 million**
 - ~\$160 million on commercial products
 - ~\$87 million in homeowners' policies

Helping MTS develop credible standards, to move the market...



A company of **Allianz** 

MTS is an accredited American National Standards Institute (ANSI) developer – a key premise for credible, consensus standards that can inform and move the market...

Fireman's Fund has supported MTS development of:

- Green Building Underwriting Standards (Commercial & Residential)
 - (ANSI 2009)
 - measuring added economic value
- Integrative Process Standard
 - (v.1 ANSI 2008, v.2 pending)
 - optimizes sustainable building design → construction process.
- Sustainable Manufacturing Underwriting Standard
 - (v.1 ANSI approved Feb. 2011, release pending)
 - Parallel standard for sustainable products & manufacturers



**Insurer Perspective:
Risk Reduction**

Standards show increased value, correlated with reduced risk...



“As the leader in developing insurance coverage for green buildings, we recognize the reduced risk of LEED and Energy Star rated buildings in our underwriting and pricing. These clearly defined [CMP] standards are an important first step to conceptualize the benefits of green buildings and sustainable practices. We support sustainable investment as it has become a real economic driver in the economy.”

- Mike LaRocco, Fireman's Fund President and CEO

“We believed [when launching coverages 4 years ago] that LEED-certified buildings would be less risky than traditional buildings due to building commissioning, which addresses the building systems that contribute to most of our losses: electric and plumbing. We concluded that commissioning not only makes a building greener, it makes it safer. Our loss ratio for our green coverages has confirmed our initial assumptions.”

"The Integrated Design Process can have a positive impact on the risks associated with green buildings. Bringing all parties to the table before design and construction begin and continuing that collaboration through occupancy mitigates many of the risks. Operational risk including the risk of inefficient systems operation, is also reduced when facility management personnel are involved in the process. As architects, contractors and all relevant professionals communicate with property owners and others, their Errors & Omissions risk of unrealized expectations is better managed."

- Stephen Bushnell, Fireman's Fund Senior Director – Commercial Insurance

Moving the Rest of the Market: An Education Challenge...



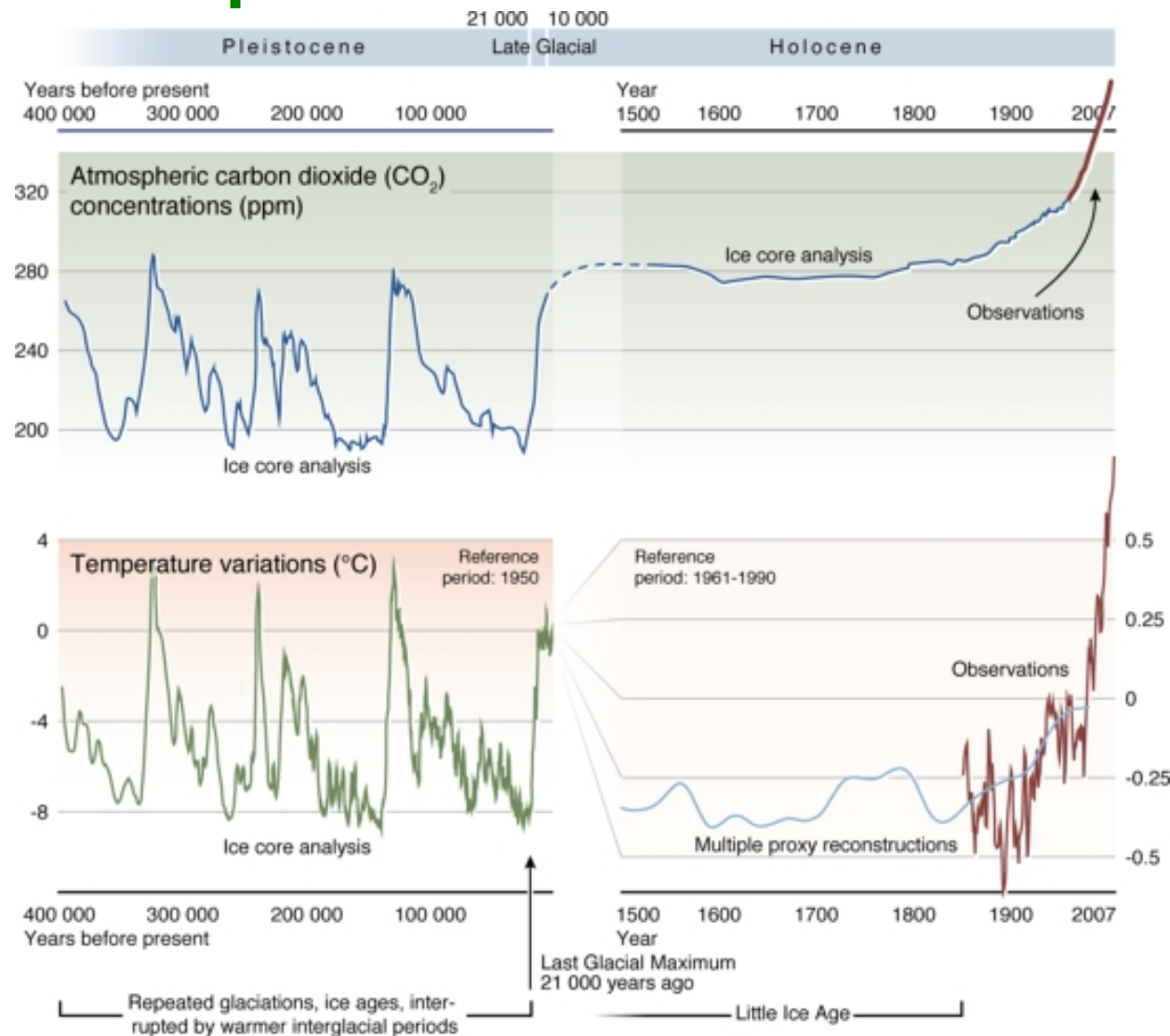
- Fireman's Fund Chairs the MTS Integrative Process Education Committee – creating education events with USGBC, and other partners.
- March 31st CMP Event in San Francisco with CMP Chairman Lt. Governor Gavin Newsom, will be replicated across the country.
- Partnership with Urban Land Institute (ULI) - the preeminent, multidisciplinary real estate forum:
 - ULI and CMP received funding to launch Green Building Financing, Underwriting and Design Education Pilots in Seattle and Portland
 - Then pilots are intended to guide the partnership's intent to scale a national educational model across the country, with associated fundraising.
 - Fireman's Fund is partnering in the program, as are Better Bricks, and ULI and USGBC local chapters.

MTS | CMP's Green Building Underwriting Standard: A Strategic Solution for Global Climate Change

**Presented by:
Tim Warman**

**National Wildlife Federation
Vice President – Climate and Energy**

CO₂ and Temperature Continue to Rise



MTS | CMP Green Building Underwriting Standard: Legacy Impact



It is **impossible** to reach carbon reduction goals without reducing CO² emissions from buildings.

- **Target: 80% CO² reduction by 2050**
- **Built environment constitutes about 40% of greenhouse gas emissions**
- **To reduce climate change, capital markets must be encouraged to provide the majority of funding needed**

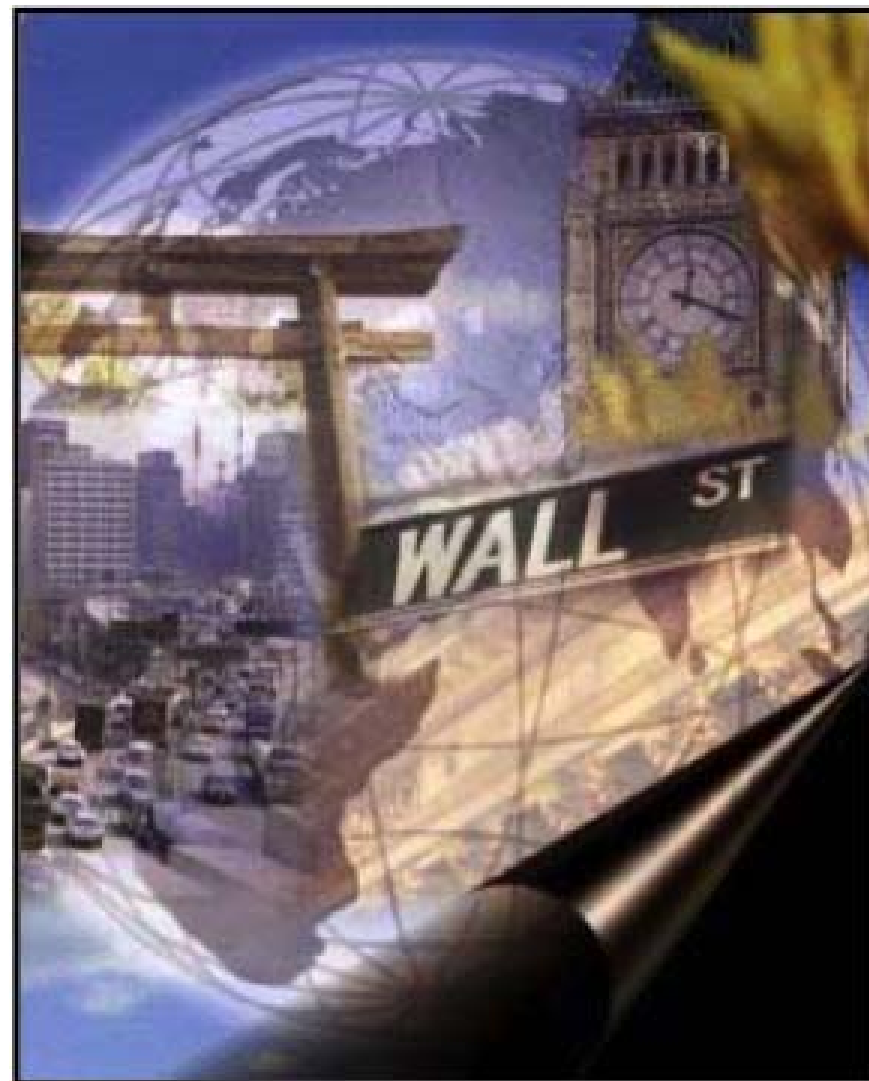
Present Challenges | Market Solutions

Political dynamic on Capitol Hill

**Shifting political landscape
cannot guarantee necessary
long-term change**

Achieving policy goals through a capital markets paradigm shift

- Reduces dependency on legislative or political agenda
- Allows market-force dynamics to bring needed transformation



Time is of Essence



CMP | Environmental Bankers Association Partnership:

Green Building Underwriting Standard Collaboration and EBA Membership Pilot Participation

Presented by:

Dean Jeffery Telego

Environmental Bankers Association (EBA)

Co-Director

Green Building Underwriting

Environmental Bankers Association (EBA)

Established in 1994, EBA is a non-profit trade association that represents the financial services industry, including bank and non-bank financial institutions, insurers, and those who provide services to them. Its members include lending institutions, property & casualty and life insurers, the environmental consulting and appraisal community, and attorneys.

EBA Members are the leaders in completing environmental and property condition due diligence for commercial real estate including securitization.

EBA Mission and Vision Statement

Mission Statement

To protect and preserve bank net income and assets from environmental exposure and liability resulting from lending and trust activities through the employment of environmental risk management in the U.S. and worldwide.

Vision Statement

Enhance visibility and awareness of environmental risk management's global role in promoting environmentally sound lending and fiduciary activities, sustainable development, and new concepts of social responsibility for the financial industry.

Green Building Underwriting

EBA is a CMP Partner.

- **Supported CMP due diligence peer review and release at the NYSE, documenting with national statistically valid data, that green buildings are more profitable, less risky, preferred by investors, with top of the market rents, highest occupancy, & valuation.**
- **Participated in CMP NYSE Meeting release of this due diligence, August 18, 2009**
- **Observer of the Green Building Underwriting Standard development including attending the launch meeting at JPMorgan**
- **Had several CMP presentations including by JPMorgan, at EBA Meetings, and a related webinar, all covering the CMP national consensus Green Building Underwriting Standard / Green Value Score**

Green Building Underwriting

An Energy Efficient Lending Pilot Panel session was conducted at the Environmental Bankers Association January 17, 2011 Meeting at Sanibel Island.

The session covered green building underwriting plans for the Pilot including by a leading EBA bank Member, and is using the Sustainable Real Estate Manager Platform containing the ASTM Building Energy Performance Assessment Standard, and the CMP Green Building Underwriting Standard / Green Value Score and EPA ENERGY STAR Score which is also part of the Green Value Score.

Green Building and Sustainable Project Underwriting

EBA has conducted Member Surveys with 55% of EBA banking membership who represent the universal/national and super regional largest banks in the US and globally, reporting that they are currently financing the retrofitting of green buildings and sustainable development projects; 35% are experimenting with energy efficient lending loans and lending programs.

The market conditions now for green building due diligence/underwriting have the potential to be similar to the explosive growth of the consensus Phase 1 ESA and PCA due diligence standards.

Forty percent of EBA member banks are financing renewable energy technologies and twenty percent are financing green products and services.

FHLB San Francisco:

CMP Partner Supporting Green Building Underwriting Standards

Presented by:
Larry Parks

Federal Home Loan Bank – San Francisco
Senior Vice President

Green Building Underwriting

Federal Home Loan Bank [FHLB]

- 1. Meets borrowing needs of communities**
- 2. Provides wholesale credit products and services to member financial institutions**
- 3. Provides incentives for green building financing**

FHLB San Francisco and FHLB Boston are CMP Partners

FHLB Participation

- **FHLB Boston serves as an CMP Committee Officer**
 - National Consensus Green Building Underwriting Standard
 -
- **FHLB Boston helped lead CMP's Wall Street due diligence peer review paper released at NYSE**
 - Investors
 - Investment banks
 - Rating agencies
- **Concluded that green buildings** [including affordable housing]
 - Demonstrate superior investment value
 - Reduce numerous investment risks
 - Maintain investor preferences
 - Experience higher occupancy rates

Green Building Underwriting Participation

- **CMP conducted Green Building Underwriting Standards Education for affordable housing**
 - Federal Home Loan Banks
 - Federal Reserve
 - Home Depot Foundation
 - State Banking Associations
 - USGBC Chapters
- **Program emanated from prior CMP briefings**
 - FHLB Community Investment Officers
- **2010 national public meeting held at Federal Reserve Board**
Participants confirmed:
 - Affordable housing green building financing market gaps | needs
 - Benefits disproportionately accrue to affordable housing tenants due to the hedge against energy price volatility
 - Improved indoor air quality reduces triggers to asthma

Federal Home Loan Bank's Support of CMP

- **FHLB provided financial resources for CMP**
 - Conduct green building underwriting education
 - Launch CMP's Green Building Securities [GBS] initiative at NYSE
- **FHLB SF public meeting at LA Federal Reserve** [September 10, 2010]
 - Fed agreed to convene a meeting to:
 - Secure lead investors
 - Obtain credit enhancement
 - **Objective: the first Green Building Security for Affordable Housing.**

FHLB Priorities

- **FHLB SF recognizes large /pent-up demand for green building financing for affordable housing**
- **FHLB SF seeks to continue this priority work by serving as a conduit for further funding for CMP to:**
 - 1. Work with the San Francisco Federal Reserve Bank**
 - Host an investor meeting
 - Facilitate launch the Green Building Security Pilot for Affordable Housing
 - 2. Include affordable housing in the national green building finance, underwriting, and design education that CMP is launching in 2011**
 - Urban Land Institute
 - Fireman's Fund
 - Bullitt Foundation
 - BetterBricks