Real Estate and Social Responsibility

Deborah Cloutier
Principal & Co-Founder
JDM Associates

Giselle Gagnon
Senior Vice President, Strategic Resources Group
Bentall Kennedy (Canada) LP

Lori Mason Curran
Investment Strategy Director
Vulcan, Inc
Real Estate and Social Responsibility

Deborah Cloutier
Principal & Co-Founder
JDM Associates
ESG evolution

energy efficiency

- Utility cost savings

Historically driven utility cost savings, and impacts on asset value....
Is 16 MPG high or low for this automobile?

Fuel Efficiency: 
MPG

Is 90 kBtu/sf/year high or low for this building?

Energy Efficiency Scale: 1 to 100
ENERGY STAR for commercial buildings

- Recognition for superior energy performers – score 75 or above – as verified by a Professional Engineer and provided they meet industry standards for indoor environmental quality.
- Awarded based on the calendar year. Buildings must re-apply annually.
ENERGY STAR Portfolio Manager

- The industry standard for benchmarking
- Free platform provided by the US EPA

500,000+ properties (40% of U.S. commercial building space) use Portfolio Manager to benchmark energy use
ESG evolution

_**sustainability**_

Business case expanding to all phases of real estate transactions, finding value through risk mitigation, competitive advantage, brand enhancement...

- Utility cost savings
- Investor demand
- Appraisals and valuation
- Tenants/leasing
- Repositioning assets, deep retrofits
Investor demand and public disclosure

Almost $70 trillion in AUM

1,782 signatories
Investor demand and public disclosure

GRESB growth over time

More than 77,000 assets & over $3.7 trillion in AUM
Disclosure and reporting

In addition to GRESB and UN PRI, there are many other ESG reporting frameworks:
# Recent trends

## Materiality and transparency
- Push for ESG factors in IPO and 10-K filings
- ESG = fiduciary duty
- Science based targets

## Resiliency
- 100 Resilient Cities initiative
- New “Chief Resilience Officer” positions
- Incorporation of climate change in insurance risk models
- World Economic Forum identified failure to adapt to climate change as most concerning risk

## Debt sustainability
- In the UK it is unlawful to rent out buildings with poor energy performance
- GRESB Debt Assessment released in 2016
- Green buildings have a 20% lower mortgage default rate

## Research
- 50+ studies linking environmental performance to financial performance
- U.S. Department of Energy DATA LAB supports industry research
Recent trends - experience

40% improvement in cognition & 101% improvement against a “standard building built to code”
Bentall Kennedy: Invest Soundly & Sustainably

Giselle Gagnon
Senior Vice President, Strategic Resources Group
Bentall Kennedy (Canada) LP
About Bentall Kennedy: ESG Leadership

Bentall Kennedy: Top three globally 7 years in a row
MEPT /Edgemoor: Top Fund globally 3 years in a row
in their respective peer groups

Strategy and Governance: A+ | Property Investing: A

Findings suggest an 8-10% higher value in certified office buildings:
- 3.7% rental rate premium
- 4% decrease in rent concessions
- 4% higher occupancy premiums
- 7% higher tenant satisfaction scores

Invest Soundly + Sustainably
Our approach to the Social aspects of ESG

Enhancing Social Value in Commercial Real Estate

*Goes beyond the building...*

- Tenant engagement
- Health & wellness
- Building amenities
- Community outreach
## Our approach to the Social aspects of ESG

<table>
<thead>
<tr>
<th>Target Market Identification</th>
<th>Asset Selection</th>
<th>Operational Expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young, educated talent located in both high growth and urban areas.</td>
<td>High walk scores and transit oriented spaces, potentially underdeveloped neighborhoods.</td>
<td>Building amenities &amp; award winning engagement strategies.</td>
</tr>
</tbody>
</table>

### Our approach enhances value by….

- Encouraging continuous innovation
- Increasing property occupancy and income
- Reducing risk of obsolescence
- Strengthening tenant loyalty
- Builds community
- All while reducing emissions to protect the environment
Using ESG to Create Stronger Tenant-Landlord

97% Satisfaction & experience at property

67% Awareness of building ESG programs & practices

ForeverGreen / ForeverGreen@Home:

Engaging resources such as posters and newsletters to property managers and tenants with actionable content around monthly sustainability themes.

Common platform for collaboration to take on energy, water and waste reduction projects.
Occupant wellness is transforming how green buildings are defined by creating environments that focus on human health and support tenants in achieving Environmental, Social & Governance (ESG) goals.
Case Study: Amenity Space

150 King Street West, Toronto, Canada

- Located on the edge of Toronto’s financial core
- Developed strategy to compete against new product and the most prestigious buildings in the core
- Strategy includes reclaiming executive parking area and transforming to a new tenant community space
- New amenity space will meet needs of the growing trend of the greater number of people moving to the downtown core and cycling to work and will include:
  - Parking for 260 bicycles;
  - Change rooms with showers, steam room and lockers;
  - Yoga flex studio that can be programmed for a variety of classes with common seating area
Urban Revitalization Through Inclusive Development

Lori Mason Curran, Vulcan Real Estate
Vulcan Real Estate

Seattle-based Vulcan Real Estate directs all real estate investment activities for Vulcan Inc., a Paul G. Allen company

• Development of diversified portfolio of high-performing quality assets including office, biotech, residential and mixed-use projects
• Strategic acquisitions and innovative development
• Integrated team of 40 real estate professionals offers a full range of development and portfolio management services from site selection and urban planning to build-to-suit construction, leasing and asset repositioning
South Lake Union

Nationally recognized 60-acre urban infill project

- 6.5M square feet in 29 projects delivered to date, including office, biotech, accessory retail and 1,555 residential units
- 1.2M square feet of commercial space and 662 residential units under construction
- Catalyst for $10B in development projects and infrastructure improvements
Respectfully engage and involve all stakeholders

Preserve and protect existing natural environment

Develop spaces that facilitate positive human interactions
Generate economic benefits through job creation and tax revenue.

Promote a mix of uses for workers, residents and visitors.

Focus on connectivity: Pedestrian and transit improvements.

Be mindful of environment and neighborhood history.
Engaged Community

• Got involved in local organizations, such as South Lake Union Community Council

• Invited community members to provide feedback on our projects before design reviews with city

• Organized a visioning charrette with 40 stakeholders, including residents, property owners, non-profit organizations, and major employers
Partnered with City

• Got city invested by partnering on $740M in infrastructure improvements in the area
  
  • Streetcar
  • Mercer Corridor
  • Network of safe pedestrian walkways and bike paths
  • New electrical substation
Invested in Open Spaces

• Supported investments in green and open spaces to beautify the neighborhood
  
  • $34M for the 12-acre Lake Union Park, improvements to Denny Park and Cascade Playground

• Activated the new open spaces
Green Development

• Biofiltration swales, green walls
• Salmon-Safe
• LEED certification, energy efficient buildings
• Historic preservation
Housing Options

Low Income Housing Developers
(0% - 60% Area Median Income)

- Low Income Housing Institute
- Plymouth Housing Group
- Housing Resources Group
- Compass Housing

Private Developers Affordable and Workforce Housing Combined with Market Rate
(65% - 85% Area Median Income)

Market Rate and Luxury Housing
(> 85% Area Median Income)
South Lake Union After Public Art
Yesler

Seattle Housing Authority

- Master developer of 30-acre Yesler Master Planned community

Vulcan Real Estate

- Private developer of three sites
- $200M investment
- Creating market-rate and workforce housing adjacent to low-income replacement housing
- Willing to support and expand upon SHA’s community outreach efforts and vision
“We believe in the potential of the Yesler Terrace redevelopment to truly transform one of Seattle’s great neighborhoods and make a difference in peoples’ lives.” Ada M. Healey, vice president of real estate for Vulcan Inc.

• **Pioneering**: Vulcan is the first private developer to purchase land to build market-rate housing at Yesler

• **Affordable Housing**: Commitment to dedicate 20% of the units to workforce housing (80% AMI for 20 years)

• **Green Building Requirements**: LEED Gold or higher; 4 star or higher Built Green

• **Social Equity and Community Participation**: Women and Minority-owned Business Enterprise (WMBE) contractors; apprenticeship program; low-wage worker new hires

• **Infrastructure Improvements**: Vulcan will complete construction of public pedestrian pathways, pocket park and street frontage improvements.
Apartment Projects

Batik and Cypress – first two projects

- Under construction
- 432 Units, 20% Workforce Housing with expanded affordability for 65% to 80% AMI
- 10,400 SF of Retail
- Constructing north half of a Pedestrian Pathway and a 17,600 SF Pocket Park

Yesler Block 4

- 235 units in pre-development
Social Equity

"Tabor 100 is an association of entrepreneurs and business advocates who are committed to economic power, educational excellence and social equity for African-Americans and the community at large."

Tabor 100 Job Fair

• Sponsored a job fair for Tabor 100 members
• Held apprentice job fair

Batik Development:

• 20% of subcontracts signed for Batik project are with WMBE businesses (exceeding 14% goal)
• 15% apprentice participation to date
Workforce Housing

Multifamily Tax Exemption Program

• Provides property tax exemption on new multifamily buildings in exchange for setting aside a percentage of the homes as income- and rent-restricted

• By supporting mixed-income residential development in the urban centers, the MFTE program incentivizes affordability as the community grows

• 20% of the units set aside for households earning 65% to 85% AMI

• 12-year real estate tax abatement on all residential portions of development
Grocery store
Programmed building to include grocery space
Affordable retail & housing
Added micro retail & 20% of the housing will be affordable
Support local jobs
Targeting 15% of contract value for minority & women-owned businesses
Reconnection of Jackson & King Streets and open gathering space
Incorporated 60ft wide, landscaped pedestrian walkway & 12k SF public plaza
Respect African American neighborhood history
Included architectural elements that reflect traditional African designs & patterns
Highlight local artists
Working with Historic Central Area Arts & Culture District to incorporate works by local artists
People

Innovative Economic Platform

Housing Diversity

Parks, Public Art, and Cultural Attractions

24-Hour Neighborhood to Play, Shop, Explore, and Dine

Transit and Improved Infrastructure

Focused Density