

SPARK TOOL: A PERSONALIZED BUSINESS CASE TO PRESENT TO OWNERSHIP

BETTERBRICKS TOOLKIT



What if you could [quickly and easily estimate](#) the costs and savings for a large, complex energy retrofit project at your building? What if you could also assess the value creation opportunity based on that project and easily communicate it to building owners to get their buy-in? Spark, a free, online tool brought to you by BetterBricks, lets you do just that. The steps described in this toolkit will help you to identify whether your building is a good fit for a Spark analysis and give you the tools to leverage your Spark report to obtain buy-in from building ownership for an energy retrofit project.

Spark is an early assessment tool that complements a broader [building renewal strategy](#), a commercial real estate approach to modernize and improve a building's competitive position. By looking at building systems holistically and identifying opportunities for deep energy retrofits, building renewal projects can deliver energy savings of 35 percent or greater. Spark enables you to assess and pursue a building renewal strategy across your portfolio. You can explore potential packages of whole-building efficiency measures and create an integrated financial and technical report to present to ownership.

Start by [entering information](#) about the building's systems, including a full year of utility data, and factors that determine the building's financial valuation, such as occupancy and rental rates. Based on these inputs, Spark will provide a customized, preliminary analysis of an integrated measure package that will achieve deep energy savings for the building. This analysis is driven by [Spark's rigorous energy](#) modeling capabilities, which leverages [EnergyPlus and Open Studio](#), and adds project cost analysis, expense planning, and market benefits for deep energy retrofits. The tool allows you to build a building renewal business case that resonates with building owners and works within their investment priorities.

Use the step-by-step guide on the following pages to identify which of your buildings are a good fit for a Spark Tool analysis and get started customizing your own building report. Remember, Spark has been designed more to highlight what can be done to upgrade your building tomorrow and less about what type of systems you currently have in your building today! We encourage you to see for yourself how Spark can apply to your building by using the free online tool today.

STEP 1

Identify which of your buildings could benefit from a Spark assessment.

- Buildings with the following characteristics are the best fit for the Spark Tool:
 - Commercial offices greater than 20,000 square feet
 - Built prior to 1997
- Use the Spark [Quickscreen](#) to see if your building is a good candidate in just a few minutes.
- Discover what opportunities exist for your building at this stage of its lifecycle.

TIMING A BUILDING RENEWAL PROJECT



Any real estate renovation relies on careful timing and execution. So when is building renewal appropriate for a given property? The Spark Tool can provide guidance for each stage of a property's lifecycle.

By identifying when these project opportunities may arise throughout the entire life of a commercial property—and bundling them into a staged implementation plan—Spark allows users to access deeper savings potential that might otherwise go untapped.

In most cases, tenants – current and future – will determine the success of your building renewal.

ACQUIRE:

An owner is more likely to improve building systems when the property is first acquired. The Spark Tool allows users to leverage data from an initial assessment that determines a property's building renewal potential early, so that owners can incorporate efficiency project investments into short- and long-term capital budgets.

DEVELOP:

Properties are ripe to implement building renewal projects when replacing building systems. Spark is designed to help users convert building and energy data into a business case that resonates with decision makers during this critical time window.

LEASE:

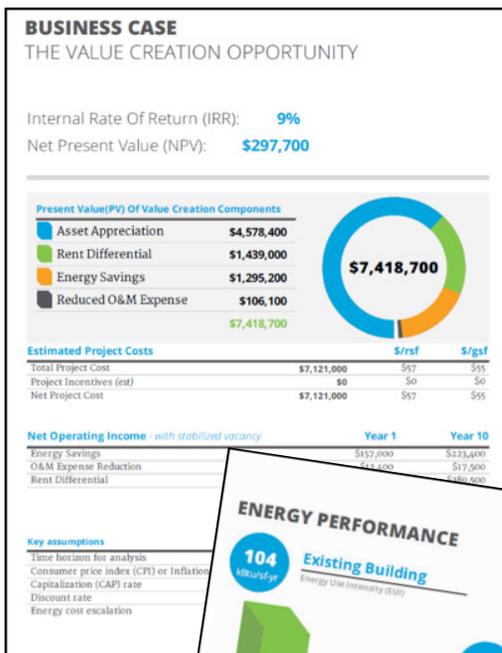
There may be opportunities to implement efficiency projects in phases. Prior to beginning renovation, assess tenant needs and relationships.

MANAGE:

During this stage, consider allocating staff in a strategic energy management (SEM) program. These programs will help you benchmark and track your energy use to identify trends. Spark can incorporate these incentive program savings into financial analyses. Contact your utility to see if your building is eligible for a SEM program.

DISPOSE:

Appraisers and bankers will help you accurately capture the increased asset value in your renewed building. When you sell, work to insure the new owner continues your progress. Provide independent energy performance reporting and disclose the building's energy performance to new owners, along with energy efficient practices.



STEP 2

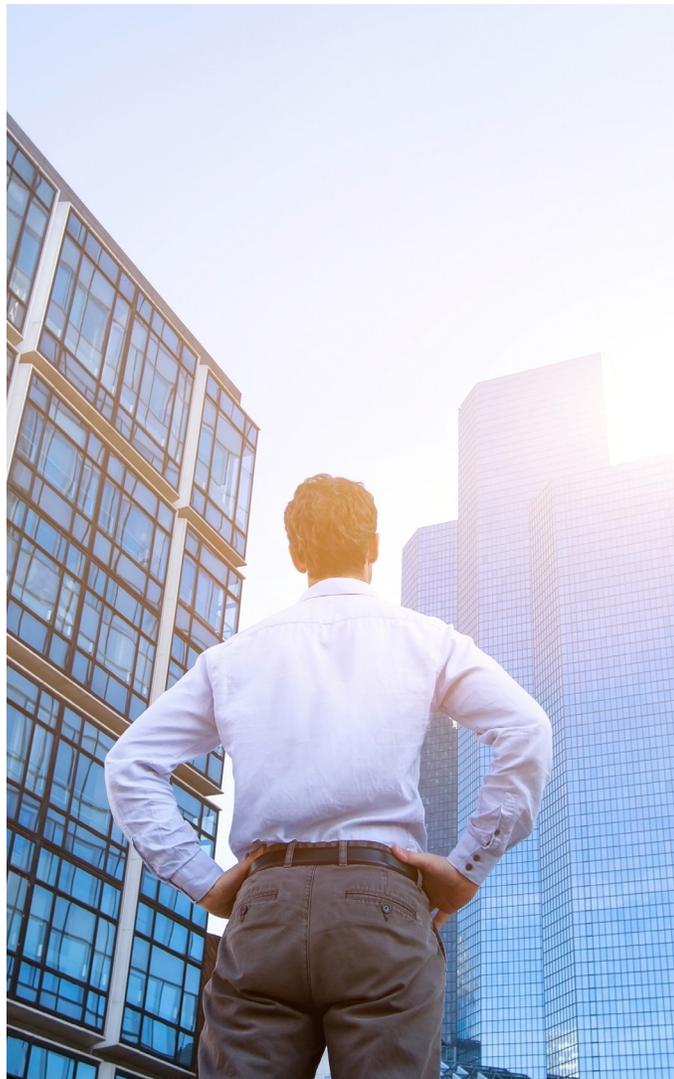
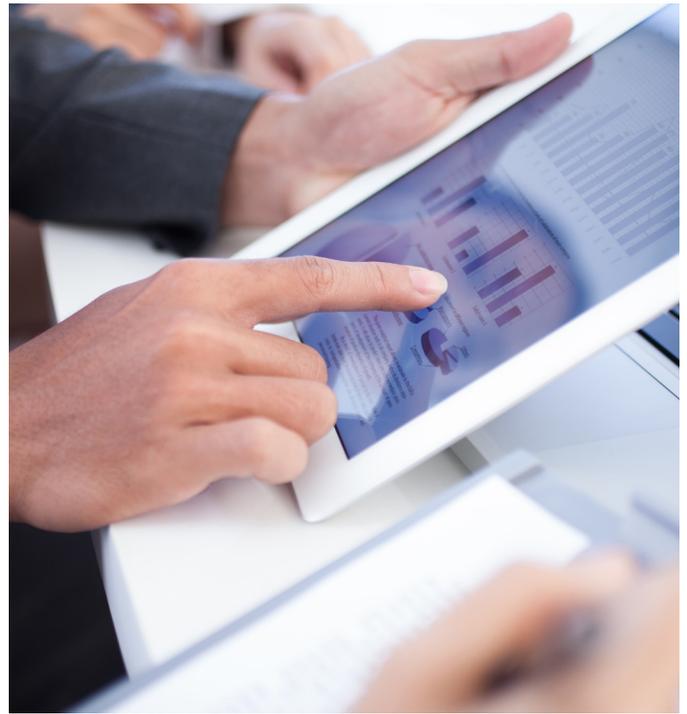
Generate a building-specific Spark report to assess an integrated package of energy efficiency measures.

- The tool [estimates project cost and energy savings](#) and presents the findings in a user-friendly report with three primary components: business case analysis, energy performance analysis, and detailed project scope.
- The business case analysis calculates the internal rate of return (IRR) Net Present Value (NPV) for the overall building renewal project, as well as the individual cash flow streams created by the project.
 - The value creation opportunity is broken out into the present values of long-term asset appreciation, rent differential, energy savings, and reduced O&M expense
 - Estimated project costs include applicable incentives from your local utility
 - Key assumptions reflect user inputs to the “sensitivity analysis” for business considerations such as the discount rate, capitalization rate, and expected inflation for a given user’s organization
- The [energy performance analysis](#) calculates reductions in energy use and energy cost, as well as annual cost savings for the entire package of measures.
- The project scope section provides descriptions of each of the recommended measures.

STEP 3

Work with ownership to incorporate a building renewal project proposal into an existing capital budget.

- Review [the basics](#) of how improved energy performance can boost your net operating income (NOI) and increase your property's asset value.
- Spark allows users to conduct sensitivity analysis of project financial returns and modify scenarios to explore the combination of cost or savings assumptions that influence project returns.
- Spark [bundles efficiency measures](#) to justify deep energy retrofit investments when certain measures, on a standalone basis, may not meet an owner's cost benefit threshold.



STEP 4

Present to the right decision makers at the right time to obtain project buy-in.

- Approach ownership in the first half of the fiscal year, or earlier, when management is building and finalizing the capital budget.
- In this window, decision makers will be more receptive to exploring opportunities to increase their asset value through large capital improvement projects.
- Every decision maker has their own list of priorities so it's always best to approach them with a wide variety of financial, energy, and non-energy benefits. Occupant comfort and wellness can be just as valuable as a reduction in energy, operations and maintenance costs.

STEP 5

Communicate the non-financial benefits and opportunity to gain competitive advantage in real estate markets.

- Buildings with higher energy performance provide a [host of benefits](#) for building owners and managers, including improved tenant comfort, higher rental rates, ability to attract higher quality tenants, and increase occupancy.