

Charting a Course to Energy Independence

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Enhanced Use Leasing 101

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Agenda

- I. Introduction to Jones Lang LaSalle
- II. Enhanced Use Leasing (EUL) Overview
- III. Benefits of EUL
- IV. Overview of EUL Process
- V. Application of EUL
- VI. Potential for Use of EULs to Promote Federal Energy Goals
- VII. Keys to Successful EUL Renewable Energy Projects
- VIII. Sample Energy EUL Projects
- IX. Case Studies
- X. EUL Lessons Learned
- XI. Questions and Answers



I. Introduction to Jones Lang LaSalle

Industry Leader

- The world's leading real estate services firm with 180 corporate offices and experts in 750 cities in 60 countries
- Watkins Research Group #1 Corporate Real Estate Services Provider 2009



Real value in a changing world

Commitment to Energy Management and Sustainability

- Energy management and sustainability services help clients lower operating costs, reduce their carbon footprint
- Over 520 LEED Accredited Professionals, 75 LEED registered or certified projects (45+ million sf), and 116 projects underway
 - Experience with ENERGY STAR and Green Globes building assessment and rating standards
- Program development and management support for Army's Resident Utility Program—reduction in utility consumption of 15-20% for over 30,000 homes, program end-state will encompass over 85,000 homes
- Retrofitting the Empire State Building to help reduce energy use 40% and become among the most energy-efficient and environmentally sustainable buildings in New York City
 - In partnership with the Clinton Climate Initiative and Johnson Controls

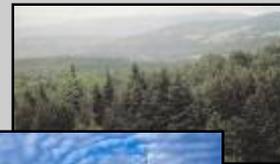


Energy and Sustainability Awards

- U.S. Environmental Protection Agency 2007 Energy Star Partner of the Year
- Alliance To Save Energy 2007 Chairman's Award "Stars Of Energy Efficiency" (US)

Our EUL Experience

- Have advised the Departments of the Army, the Air Force, Veterans Affairs and Energy as well as private developers on EUL programs and transactions



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II. EUL Overview

What is EUL?

Innovative legislation providing certain Federal agencies the authority and incentive to maximize the value of their underutilized real estate assets

- Cooperative arrangement between a government entity that owns the underutilized real property and a private sector developer
- Government negotiates a long-term outlease of a non-excess real property asset with the selected private developer
- Selected developer enters into an operating lease with potential tenants, who may include Governmental and/or non-Governmental entities

Government receives cash or in-kind services from the selected developer while retaining ownership of the asset (“retention of proceeds”)

- EUL income may be used to fund new construction or historic preservation

Legislation specific to Departments of Defense, Energy, and VA, and to NASA



III. Benefits of EUL

Government

Creates Value

- Unleashes captive value from underutilized real property
- Places land/buildings back into productive reuse
- Provides funding source for needed and non-funded capital improvements
- Provides cost avoidance (savings) to government

Enhances Mission

- Provides needed development/redevelopment (“transformative development”)
- Attracts synergistic tenants

Community / Energy Sustainability

- Stimulates local job market
- Bolsters community relations
- Provides for renewable energy development

Private Sector

Creates Value

- Captures market rates of return for developer

Opens New Market Opportunities

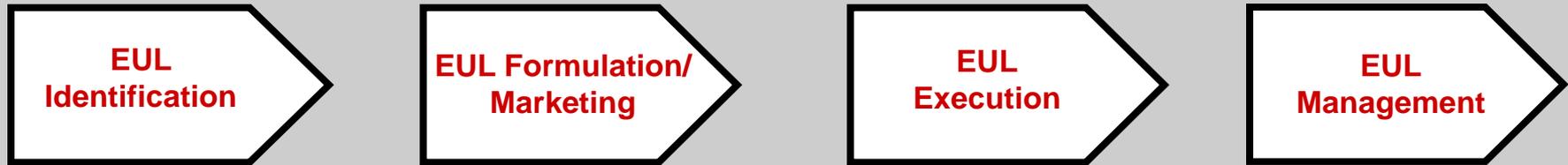
- Brings formerly unavailable land/buildings to the market
- Opens doors to new tenants
- Secures long-term relationship with long-term ground lease

Community / Energy Sustainability

- Stimulates local job market
- Creates new sources of clean, renewable energy



IV. Overview of the EUL Process





V. Application of EUL

General Uses

- Parking Structures
- Medical Research Facilities
- Historic Preservation Centers
- Industrial Uses

Specialized Uses

- Energy Plants – Conventional and Alternative/Renewable (e.g. Solar, Wind, Biomass, Co-Generation, etc.)
- Permanent and Transitional Supportive Housing
- Child Development Facilities
- Skilled Nursing Centers
- Recreational Uses; Golf Courses
- Test Tracks





VI. Potential for Use of EULs to Promote Federal Energy Goals

Recent executive and legislative action to better manage Federal real property and to reduce Federal energy consumption

- **Real Property Management:** President's Management Agenda, Executive Order 13327 and the Federal Real Property Council ("Getting to Green")
- **Energy Consumption:** Energy Policy Act of 2005, Energy Independence and Security Act of 2007, and Executive Order 13423

Solar and wind expected to generate most renewable energy production

- Large tracts of land required for solar and wind production
- Significant surplus land is adjacent to government complexes that require energy

Federal government has direct ownership of 650 million acres of land – nearly 30% of the U.S.

- A majority of Federal land is located in the West, with Federal land comprising approximately half of total land area in 11 western states
- Corridors West of the Mississippi River provide significant levels of wind and solar energy



VII. Keys to Successful EUL Renewable Energy Projects

1. Fuel Source: What type? How available? Cost?
2. Availability of Tax Credits and Rate Structure
3. Is utility company a willing buyer? Price?
4. Transmission Source and Capacity
5. Site Characteristics and Development Potential
6. Islanding
Power assurance/security
In-kind or energy service contract



VIII. Sample Energy EUL Projects

Sample Energy EUL Projects Completed or Under Development † (Source: AF, Army, Navy, NASA, VA websites)

Department / Agency	Location	Description
Air Force	Edwards Air Force Base	<ul style="list-style-type: none"> Commercial scale solar energy development on 3,288 acres
	Kirtland AFB*	<ul style="list-style-type: none"> Commercial scale solar energy development on 1,477 acres
	Luke Air Force Base* (BMGR and Luke AFB Proper)	<ul style="list-style-type: none"> Commercial scale solar energy development on 2,900 acres
Army	Flagstaff Business & Energy Park (Camp Navajo DoD Facility)	<ul style="list-style-type: none"> 815 acre master-planned intermodal business and energy oriented development Collaboration with the U.S. Army Corps of Engineers and the Arizona National Guard
	Fort Detrick Army Installation	<ul style="list-style-type: none"> Central utility plant developed by Keenan/Chevron 13 MW first phase with expansion to 70 MW at full capacity
Navy	NSA New Orleans**	<ul style="list-style-type: none"> Energy efficient mixed-use development on 150 acres to be anchored by U.S. Marine Corps Reserve Headquarters Goal to make base the most energy efficient installation in Navy portfolio
NASA	NASA Space Coast – Kennedy Space Center	<ul style="list-style-type: none"> 10 MW solar photovoltaic facility developed by Florida Power and Light
VA	North Chicago VAMC	<ul style="list-style-type: none"> \$10 million co-generation energy plant providing over \$16 million in guaranteed cost savings to VA over 10 years

* Jones Lang LaSalle served as government's advisor

** Jones Lang LaSalle served as developer's advisor

† Attend "Enhanced Use Leasing: Getting the Deal Done" on Tuesday, August 11 for in-depth discussions of planned and executed energy EUL projects.



VIII. Sample Energy EUL Projects (cont'd)

Potential Renewable Energy EUL Projects† (Source: Army, AF, Navy websites)

Department / Agency	Location	Description
Army	Fort Irwin	• 500 MW solar project
	Fort Riley	• 25 acre bio-mass project
	Sierra Army Depot	• Solar with expected generation of 10 MW in first phase, with potential to generate up to 280 MW
	Tooele Army Depot	• 4,200-acre wind project
	Yuma Proving Ground	• Solar project, scale TBD
Air Force	Edwards AFB	• Solar project on 3,288 acres
	Beale AFB	• Potential for biomass, solar, and co-generation projects, scale TBD
	Holloman AFB	• Solar and geothermal for on-base use
Navy	NAB Little Creek, VA	• Waste-to-Energy Plant
	NS Newport, RI	• Wind Energy

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IX. Case Study: Fort Detrick Co-Generation

Challenge

Provide highly-efficient, secure and reliable power to the National Interagency Biodefense Campus at Fort Detrick.

Solution

The US Army Corps of Engineers entered into a 36.5 year lease with a 13.5 year option with the private sector for the 10 acre site. In return, developer Keenan/Chevron, constructed a \$125 million central utility/ co-generation plant and provides power, steam, and chilled water as in-kind consideration. Project was completed on time and under budget. Financial closing was reached in 15 months and construction was completed in 18 months in 2008.





IX. Case Study: VA Mountain Home Co-Generation

Challenge

Replace aging outdated energy plant and reduce energy costs.

Solution

VA leased two acres to an energy provider who financed, designed, built and operates a \$25 million co-generation plant, producing and selling energy to the VAMC, the adjacent state university and others. Developer also completed \$3 million of energy-related improvements throughout the campus. Project net present value of savings exceeds \$36 million in construction and reduced operations and maintenance costs, as well as potential revenue generation.

Similar projects completed at North Chicago and Chicago Westside.





X. EUL Lessons Learned

1. **Patience** – It takes to develop and implement an EUL project.
2. **Relationships** - Establish relationships with stakeholders early and often.
3. **Risks** - Understand risks, including environmental, historic and local/agency political risks and plan for potential conflicts.
4. **Competition** - Be prepared for competition among multiple bidders with a variety of development plans.
5. **Value** – Understand value of EUL asset prior to submitting proposal.



XI. Questions and Answers

**For More Information
Please Contact:**

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