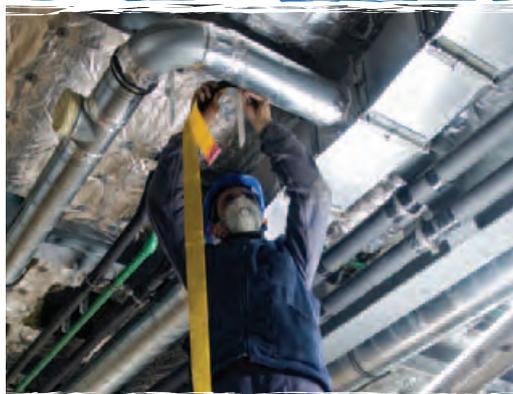


A new way to finance building upgrades



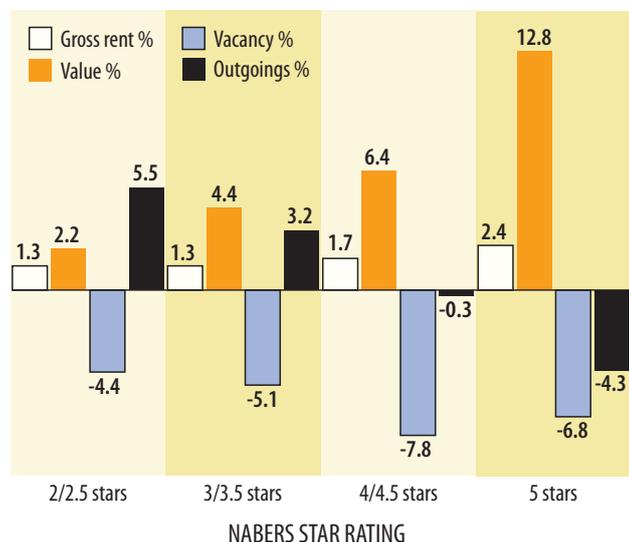
Environmental Upgrade Agreements (EUAs)

Greener buildings deliver results

Upgrade activities eligible for an EUA include improving energy or water efficiency, reducing waste and greenhouse gas emissions, recycling, pollution prevention or reduction, renewable energy projects and reducing car use by encouraging activities like walking and cycling.

Commercial buildings using NABERS* (nabers.com.au) to measure their environmental performance have demonstrated an average improvement of 12 per cent energy and 9 per cent water savings**. Higher rated buildings have lower occupancy costs and an increased asset value. They are increasingly more attractive to tenants, resulting in lower vacancies.

Effect of NABERS rating on commercial property (%)



Adapted from *Building Better Returns* research report, (API & PFA) 2011

* National Australian Built Environment Rating System
** in 2010-2011

Environmental Upgrade Agreements* now make it easier to access finance for environmental improvements to existing commercial, industrial, strata scheme and large multi-unit residential buildings in NSW.

Under this agreement, a finance provider lends funds to a building owner for water, energy and other environmental upgrades and this low-risk loan is repaid through a local council charge on the land.

Tenants of commercial buildings can be asked to contribute to the costs. However, these additional costs must be offset by their reduced energy and water bills.

Financing upgrades is a win-win

EUAs can unlock funding for cost-effective upgrades that save natural resources, reduce operating costs and improve the capital value of buildings, benefiting building owners, tenants and the environment.

Building owners

EUA loans are secured, making it possible to access capital for retrofits at a competitive rate, over a longer term and for larger projects.

Under EUAs, building owners are able to share the costs of improving the building with tenants, who can also enjoy the benefits of the upgrades and lower operating costs.

The loan is tied to the property and does not increase the personal debt of building owners. If the property is sold, the environmental upgrade charge may be transferred to the new owner.

* The *Local Government Amendment (Environmental Upgrade Agreements) Act 2010* commenced on 18 February 2011 which facilitates upgrading or retrofitting of non-residential or multi-residential buildings (of more than 20 lots).

EUAs finance a wide range of retrofit activities with cost savings and environmental benefits that will improve the long-term value of assets.

Tenants

Tenants can enjoy the benefits of a more efficient, comfortable and environmentally friendly tenancy that may include reduced day-to-day operating costs and energy bills.

Building owners can ask tenants to contribute towards the cost of the upgrade through an increased contribution to outgoings in net leases. This amount should not exceed a reasonable estimate of the cost savings that tenants will gain from the upgrade.

Local councils

Upgraded buildings attract investment, reduce environmental impacts, reduce pressure on infrastructure and increase the competitiveness and liveability of local building stock.

Building upgrades can also boost local jobs and business opportunities for efficiency products and services.

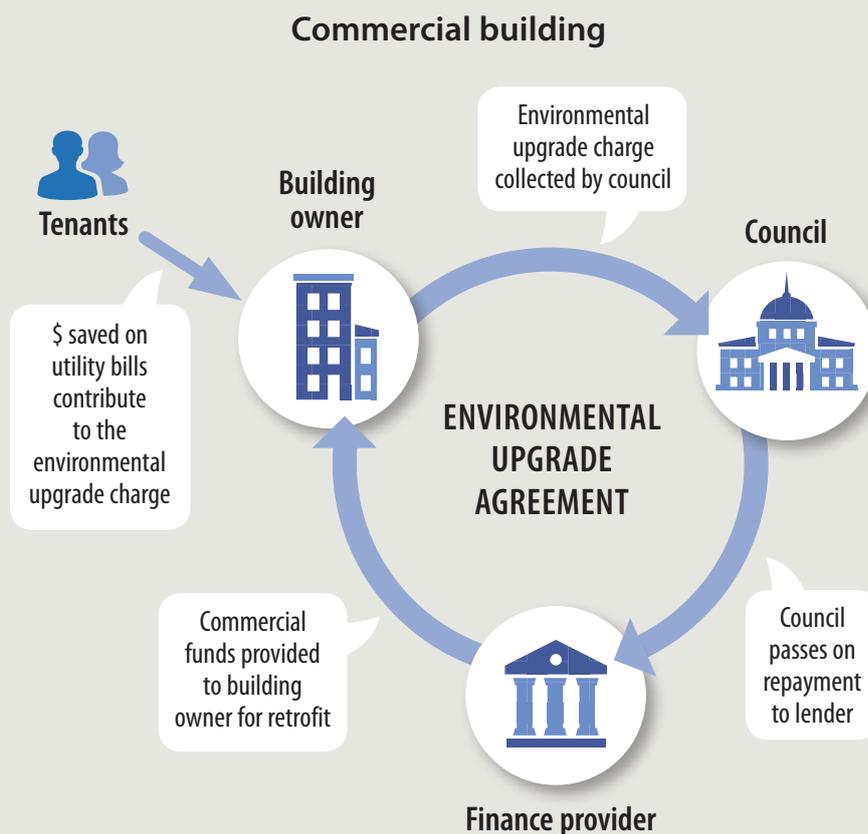
EUAs help councils encourage building owners to increase the performance of their building to save water, energy and greenhouse gas emissions.



How do Environmental Upgrade Agreements work?

The building owner, council and finance provider voluntarily enter into an EUA.

- The building owner agrees to carry out the environmental upgrade works.
- The finance provider agrees to advance the funds for the works.
- Council agrees to levy environmental upgrade charges to pass repayments on to the finance provider (minus council's processing fees).



Find out more Visit www.environment.nsw.gov.au/sustainbus/eua.htm or phone 1300 361 967 for more information on Environmental Upgrade Agreements.