



**INSTITUTE FOR MARKET
TRANSFORMATION**
2014 **ANNUAL REPORT**



LETTER FROM THE EXECUTIVE DIRECTOR

For almost 20 years, IMT has sought out and promoted best practices to advance energy efficiency in buildings. Recognizing that buildings account for a significant amount of America's energy use and carbon emissions, our work is guided by the mission of bringing about widespread, permanent change in the marketplace through greater investment in energy efficient buildings.

To work toward a future in which all buildings are highly efficient, we have transformed our organization substantially over recent years, expanding our team and our work to incorporate strategies that can drive market transformation in both the private and public sectors, and growing our reputation with collaborative projects that move the needle in a positive direction for entire cities and individual buildings. In large part what makes our progress possible is the quality of our employees and our partners. Our dynamic group of subject-matter experts may be small in number, but we are mighty in passion and drive, and we have a great deal of fun along the way.

We also collaborate with strategic partners to develop networks focused on transforming energy use in the built environment. We work hand-in-hand with local government leaders, efficiency advocates, and key energy and real estate stakeholders across the country to make our buildings more efficient, healthier, and more prosperous through innovative policies and programs. It may not always be glamorous, but this work is the critical nuts, bolts, and grease that drives widespread progress.

Our work would not be possible without our funders and the groups and individuals who support our endeavors, and for this support we are truly grateful. We are proud of what we accomplished in 2014, and look forward to working together in the years ahead towards a more-efficient built environment.

A handwritten signature in blue ink that reads "Cliff Majersik". The signature is written in a cursive, flowing style.

Cliff Majersik, Executive Director

“We cannot wait for others to take decisive action toward creating a sustainable future.”

—Cliff Majersik quoted in *The Huffington Post*, October 2, 2014

This annual report provides some specific examples of market transformation in progress. Since IMT’s founding:

- IMT helped write the first energy benchmarking law. Today 14 cities have laws covering more than 6.6 billion square feet of space and creating a wealth of information that has generated greater awareness and action to improve efficiency.
- Our advocacy efforts have led to stronger building energy codes that give homebuilders flexibility to improve quality and efficiency at a reasonable cost.
- We’ve released definitive reports on how cities can remove the upfront costs of energy efficiency improvements, as well as worked with appraisers, lenders, and others in the financial realm to improve the valuation of efficiency in buildings.
- We’ve tapped into a multi-billion-dollar opportunity in green leasing deployment, providing go-to resources and guidance that aligns incentives for commercial building owners and tenants to make energy efficiency a part of their everyday operations.

WHY WE WORK ON MARKET TRANSFORMATION

Market transformation is a process of strategic intervention to bring about widespread, permanent change. For IMT, this means removing market barriers to broader adoption of energy efficiency, as well as accelerating adoption so that energy efficiency becomes standard practice in the real estate marketplace.

How do we do this? We prioritize long-term strategies rather than incentives or subsidies that may expire. We work to develop policy solutions and best practices that can be replicated at scale. We work with key market actors—financial institutions, building owners, managers, tenants, and utilities—to make their standard practices include energy efficiency. Our team of leading thinkers and subject-matter experts with in-the-field experience seeks to create opportunities for the market to instill an on-going cycle of transformation.

WHO WE WORK WITH

IMT builds teams and works collaboratively with others to achieve results. We are grateful for our ongoing partnerships with organizations including:

Appraisal Institute

Britt/Makela Group

Building Codes Assistance Project

Consortium for Building
Energy Innovation

District of Columbia Department
of Energy & Environment

District of Columbia
Sustainable Energy Utility

Elevate Energy

Global Buildings Performance Network

Institute for Building
Technology and Safety

International Code Council

JDM Associates

Natural Resources Defense Council

New York University Center for
Urban Science and Progress

Pacific Coast Collaborative

RealEstate Business Intelligence

Retail Industry Leaders Association

Urban Sustainability Directors Network

U.S. Department of Energy

U.S. Environmental Protection Agency

Are you interested in partnering with us? We actively look for new opportunities to strengthen the push for market transformation.



DRIVING TRANSFORMATION WITH PERFORMANCE DATA

We work with government agencies, utilities, energy efficiency advocates, and others to use policies such as benchmarking and transparency, increased data access, energy audits, and retrocommissioning to unlock and harness opportunities to improve building performance.

2014 ACHIEVEMENTS:

- Since 2006, IMT has provided strategic guidance to cities seeking to establish building energy use benchmarking and transparency ordinances. In 2014, with IMT's assistance, Montgomery County, Md., and Cambridge, Mass., adopted benchmarking ordinances.
- Worked with the U.S. Department of Energy to promote its Standard Energy Efficiency Data (SEED) platform, an open-source software application for the management of building performance data. In conducting city-level outreach, IMT helped inform DOE's investments and platform development.
- Continued to work with the utility sector to reduce market barriers to data access. Our report, *Creating Value from Benchmarking: A Utility Perspective*, highlighted innovative energy service providers that are leveraging city benchmarking efforts to advance energy efficiency program planning and implementation.

“Our members are working hard to meet ambitious sustainability goals in municipalities across North America. In working toward these goals, we value IMT’s blend of technical expertise and pragmatic understanding of how local governments operate—a combination that fosters collaboration among our members to develop and share plausible solutions to reduce carbon emissions.”

—Nils Moe, Managing Director, Urban Sustainability Directors Network



CITY ENERGY PROJECT

On January 29, 2014, IMT launched the City Energy Project (CEP) in conjunction with the Natural Resources Defense Council. CEP is an ambitious national initiative to create healthier and more prosperous American cities by improving the energy efficiency of large buildings. Under CEP, IMT and NRDC support 10 pioneering cities—Atlanta, Boston, Chicago, Denver, Houston, Kansas City, Mo., Los Angeles, Orlando, Philadelphia, and Salt Lake City—by providing subject-matter expertise and technical guidance with the goal of cutting energy waste, boosting local economies, reducing greenhouse gas emissions, and creating models and best practices for communities nationwide.

CEP supports the adoption and implementation of bold and innovative policy and program frameworks that address market-based barriers to energy efficiency in order to achieve several long-term goals:

- Create permanent and sustainable energy efficiency retrofit markets in major U.S. cities through the design and implementation of customized policy frameworks, energy efficiency initiatives, and financing programs.
- Reduce building energy consumption and CO₂ emissions and contribute to economic growth in each participating city.
- Facilitate active building energy management through the deployment of energy efficiency systems and standards, technical tools, and stakeholder support.

“Our work with IMT and NRDC through the City Energy Project has provided critical capacity to drive energy efficiency improvements. The CEP network also provides a valuable tool to facilitate a crucial exchange of proven approaches between participating cities. We look forward to continued collaboration with the CEP as we work together to reduce energy consumption and create a more sustainable city.”

— Karen Weigert, Chief Sustainability Officer, City of Chicago

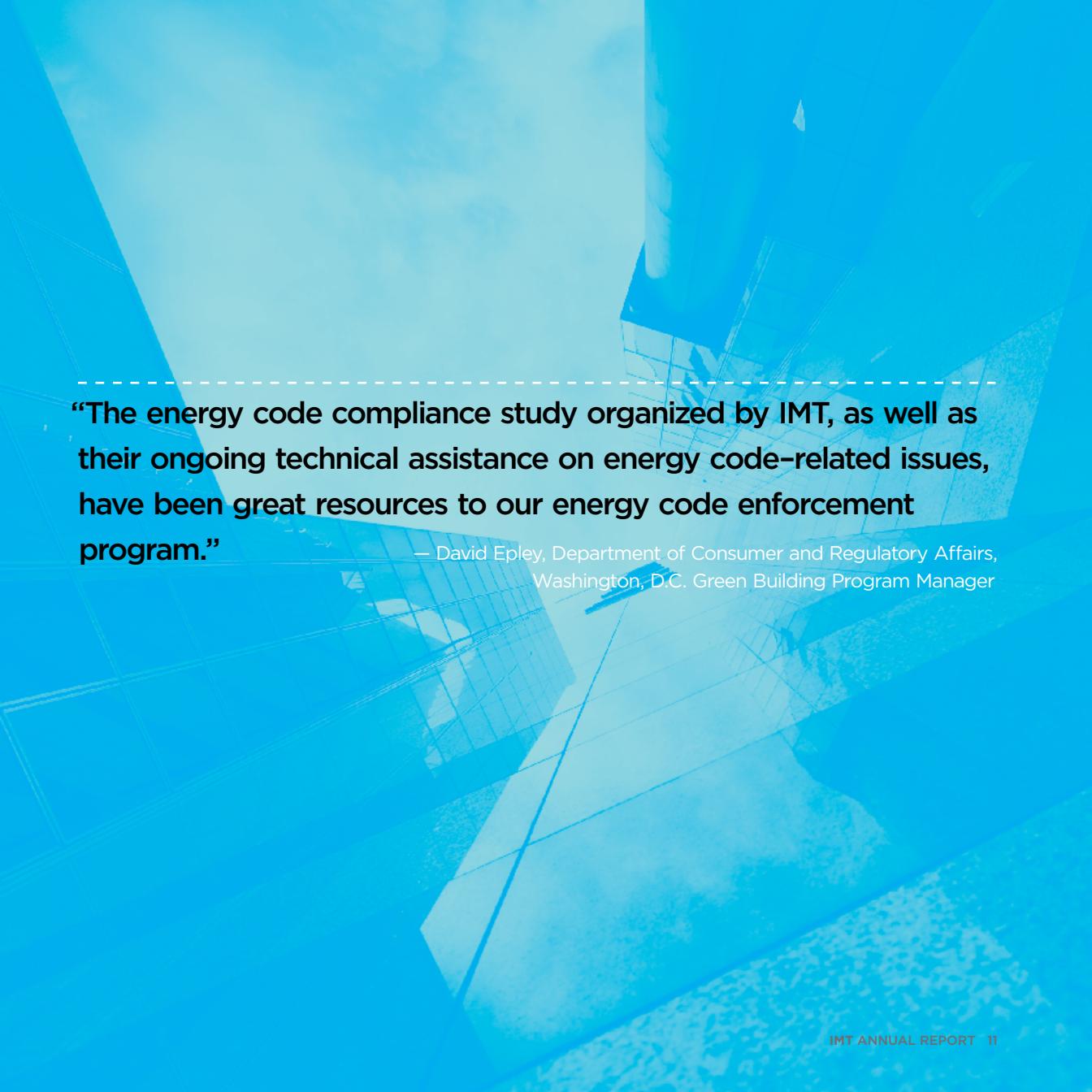


RAISING THE EFFICIENCY BASELINE

Strong building energy codes ensure that buildings waste less energy, cost less to operate, and are healthy and comfortable for occupants. However, local compliance with existing energy codes must be vastly improved. Recognizing that initiatives for education and training, outreach, and enforcement to boost compliance are severely underfunded, IMT works with jurisdictions and code officials across the U.S. to raise code compliance rates.

2014 ACHIEVEMENTS:

- Produced *Establishing a Plan to Achieve Energy Code Compliance in Cities*, a new resource to help guide U.S. cities in working together to achieve high levels of energy code compliance for new and renovated buildings.
- Launched The Decoder, a quarterly newsletter produced by IMT and the Building Codes Assistance Project (BCAP) that delivers targeted, timely information on energy code compliance to building officials, plans examiners, and inspectors.
- Presented the 4th annual Standard Bearers Award in conjunction with the International Code Council (ICC) to recognize state and local jurisdictions and individuals who have raised compliance with energy codes and achieved energy reduction in buildings using smart, innovative, and cost-effective strategies.



“The energy code compliance study organized by IMT, as well as their ongoing technical assistance on energy code-related issues, have been great resources to our energy code enforcement program.”

— David Epley, Department of Consumer and Regulatory Affairs,
Washington, D.C. Green Building Program Manager



RESIDENTIAL ENERGY CODE FIELD STUDY

In September 2014, the U.S. Department of Energy awarded IMT \$656,000 for a three-year project to measure Alabama's residential energy use in new homes and implement energy code training, education, outreach, and technical assistance.

The project launched in December 2014, and is being conducted in partnership with the Institute for Building Technology and Safety, the Britt/Makela Group, and the Alabama Center for Excellence in Clean Energy Technology at Calhoun Community College. The project consists of three phases: A baseline study to identify the energy use in typical single-family residential buildings; education, training, and outreach targeting issues identified through the baseline study; and a follow-up study to identify the change in energy use following the education, training, and outreach activities.

IMT and its partners are working closely with local stakeholders to understand how Alabama's energy code affects single-family residential construction and the barriers to compliance faced by builders, trades, and code officials. IMT estimates the savings from bringing just a year's worth of new residential and commercial construction in the U.S. up to full compliance could reach \$189 million. This equates to lifetime savings of up to \$37.1 billion for just five years' worth of new buildings.

“Building energy codes are an incredibly important policy tool in reducing greenhouse gas emissions from the nation’s buildings. However, even the strongest code won’t save energy on its own—implementation and compliance are key.”

—Cliff Majersik, explaining the Standard Bearers Award



BREAKING DOWN BARRIERS TO ENERGY EFFICIENCY

In the commercial real estate realm IMT staff members convene experienced real estate practitioners with green building experts to pursue more efficient buildings. Our Commercial Real Estate Engagement team works directly with leading companies, trade associations, and public agencies to develop and implement energy efficiency best practices, identifying the most useful resources through efforts such as the Green Lease Library. In 2014 alone the team worked with owners and tenants representing more than 500 million square feet of commercial space to better incorporate energy efficiency into decision-making processes.

2014 ACHIEVEMENTS:

- In partnership with the Retail Industry Leaders Association (RILA), IMT began working with more than 12 national retail brands on increasing energy efficiency in their stores across the U.S.
- Conducted broker education training for an estimated 400 brokers—key negotiators during the leasing process—across the U.S. in conjunction with the University of Pennsylvania and the Consortium for Building Energy Innovation (CBEI). By April 2016, this program is expected to have trained up to 600 brokers on energy efficiency concepts.
- In November 2014 in partnership with the Council of Smaller Enterprises, IMT launched a pioneering multi-year project in the City of Cleveland to develop and promote smart commercial lease solutions at scale that align the costs and benefits of energy efficiency investments between landlord and tenants.

“As a property owner, the IMT resource library has been incredibly helpful for exploring concepts and integrating them into our own internal program. Our work with them has enabled us to better educate our own asset managers on relevant topics in the industry.”

—Jodi Mansbach, Vice President, Development and Marketing, Jamestown



GREEN LEASE LEADERS

Most commercial property leases establish terms and effectively split costs between landlords and tenants. However, traditional leases separate costs in a way that discourages landlord and tenant collaboration on energy efficiency while creating what is known as the “split-incentive” problem: landlords have no incentive to improve the energy efficiency of their building, while tenants bear the brunt of wasteful and poorly performing building systems.

Green leases can resolve this barrier to improvement. In May 2014, IMT and the U.S. Department of Energy’s Better Buildings Alliance launched the Green Lease Leaders program to recognize property owners, tenants, and brokers who are effectively using the lease as a tool to save energy in commercial buildings. It is the first industry-wide recognition standard for companies and brokerage teams in this realm.

In 2014, an inaugural class for 14 Green Lease Leaders was formally recognized at the Better Buildings Summit in Washington, D.C. Growing on this, in 2015 IMT saw Green Lease Leader applications double in number and square footage—with all new applicants incorporating green lease clauses into their documents following the creation of the Green Lease Leaders designation.



“Within our efforts to develop high-performance buildings and maintain healthy, productive work environments, the lease plays an important role by laying the groundwork and ensuring a win-win outcome with the tenants. We thank IMT and the Better Building Alliance for the creation of this valuable program.”

—Marla Thalheimer, former Director of Sustainability for Liberty Property Trust

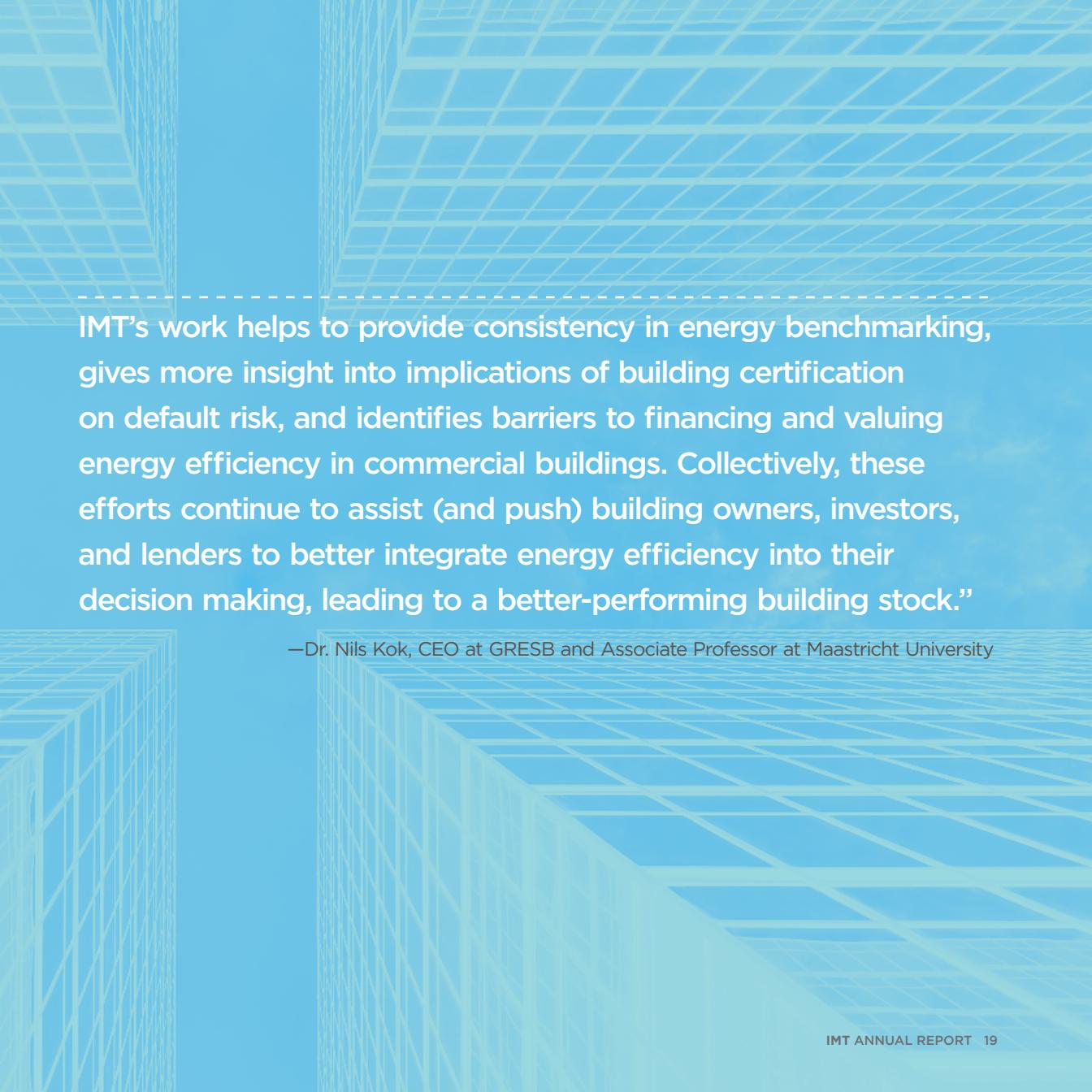


IMPROVING THE FINANCING, APPRAISAL, AND VALUATION OF ENERGY EFFICIENCY

IMT works to change business as usual in the financial realm to better integrate and value high-performance buildings in financing, appraisal, and lending models and programs. We do so by providing expert regulatory guidance on how to better account for energy efficiency in property appraisals, as well as local training for lenders, appraisers, and realtors across the country on the wide range of economic benefits of energy-efficient buildings.

2014 ACHIEVEMENTS:

- In conjunction with MIT CoLab, produced *Local Governments' Role in Energy Project Financing: A Guide to Financing Tools for the Commercial Real Estate Sector*, a comprehensive breakdown of energy efficiency financing strategies that can be tailored to local market needs.
- Conducted interviews with housing counselors, real estate agents, and mortgage lenders to produce *Designing a Mortgage Process for Energy Efficiency*, a study of challenges to wider use of the U.S. Federal Housing Administration's Energy Efficient Mortgage program.
- Continued to advocate for improved appraisal processes that better reflect the value of energy efficient buildings through local training workshops for appraisers and serving as subject matter experts to national appraisal organizations.



IMT's work helps to provide consistency in energy benchmarking, gives more insight into implications of building certification on default risk, and identifies barriers to financing and valuing energy efficiency in commercial buildings. Collectively, these efforts continue to assist (and push) building owners, investors, and lenders to better integrate energy efficiency into their decision making, leading to a better-performing building stock."

—Dr. Nils Kok, CEO at GRESB and Associate Professor at Maastricht University

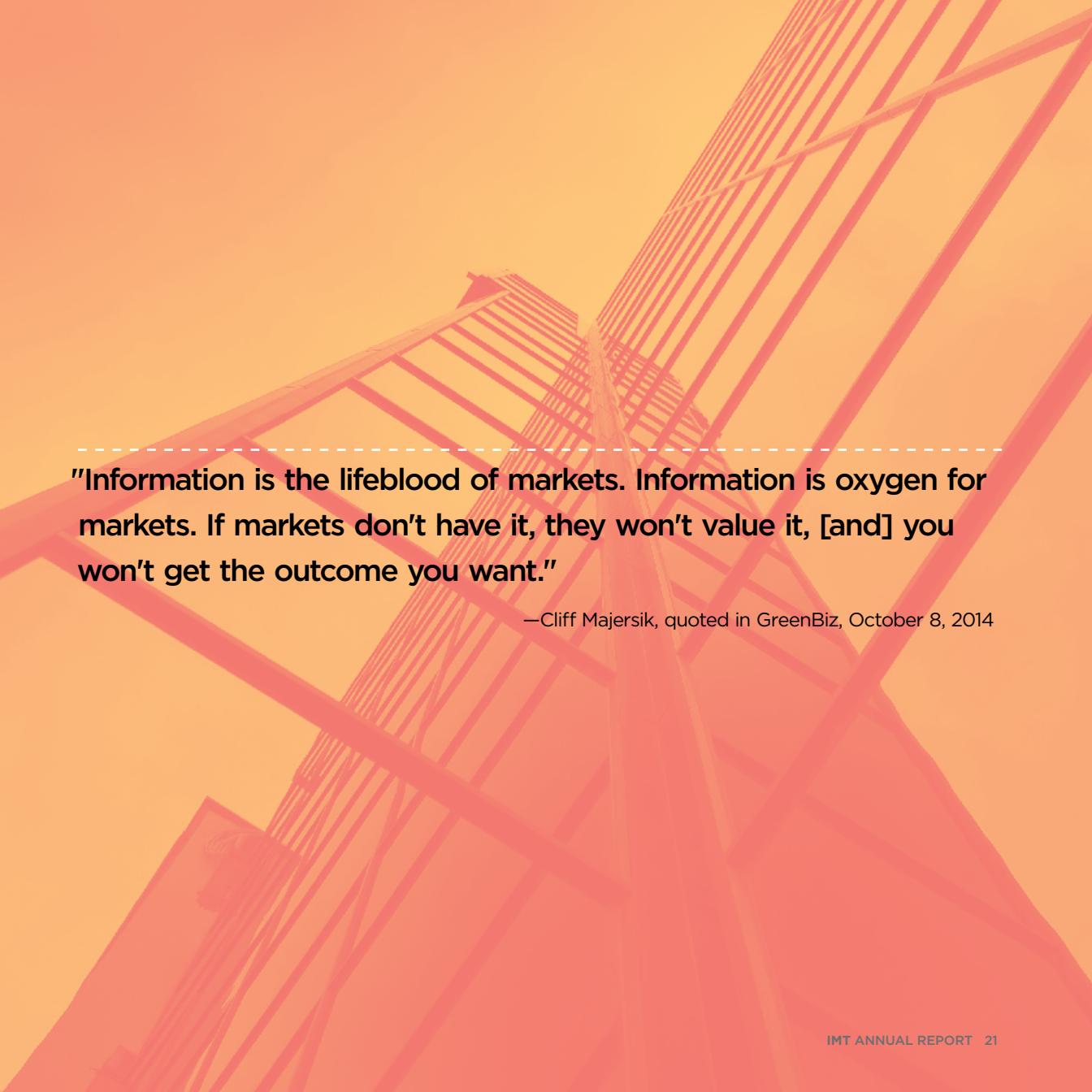


GREENING THE MULTIPLE LISTING SERVICE

With funding from the Department of Energy and Environment (DOEE) in Washington, D.C., and in conjunction with Elevate Energy, RealEstate Business Intelligence and MRIS (the multiple listing service, or MLS, in the District), in 2014 IMT began working on greening the MLS to better showcase high-performance attributes of homes in Washington, DC. This marked the first public-private partnership on real estate and high-performance homes with the goal of examining the market demand for and performance of high-performance homes.

This MLS work builds upon a framework for market transformation previously defined by Elevate Energy and the Home Performance Coalition, which identified seven steps to transformation. Of these seven steps, IMT's work has focused on the need to consistently document residential energy efficiency improvements; the need to report on the growing inventories of energy-efficient homes; and the need to work with the real estate community to reflect these improvements in local for-sale listings. Conducting research in 2014, we lay the groundwork for *Greening the MLS: Bringing High-Performance Homes to Light in the District of Columbia*, a study published in April 2015.

The work that began in 2014 has sparked continued opportunities for study. The projects IMT has underway include a study examining the performance of homes with high-performance features in the real estate market and work with Pepco, the electric utility in Washington, DC, and Maryland, on improved access to utility costs during real estate transactions.



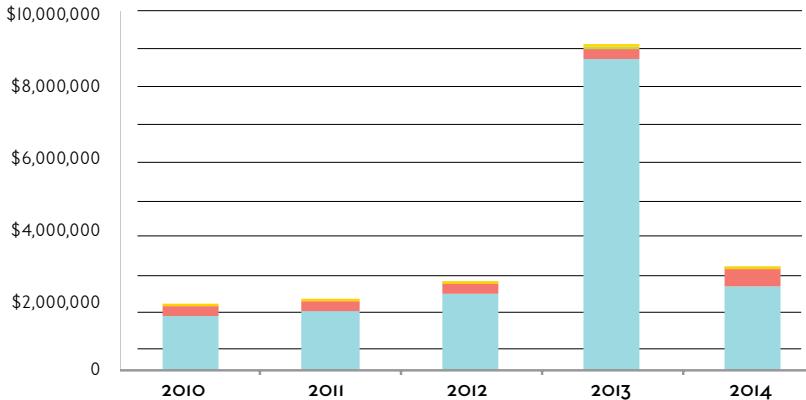
"Information is the lifeblood of markets. Information is oxygen for markets. If markets don't have it, they won't value it, [and] you won't get the outcome you want."

—Cliff Majersik, quoted in GreenBiz, October 8, 2014

2014 FINANCIALS

IMT REVENUE TRENDS

Note: in 2013, IMT recorded approximately \$6.1 million in grants that are expected to fund the City Energy Project through early 2016.

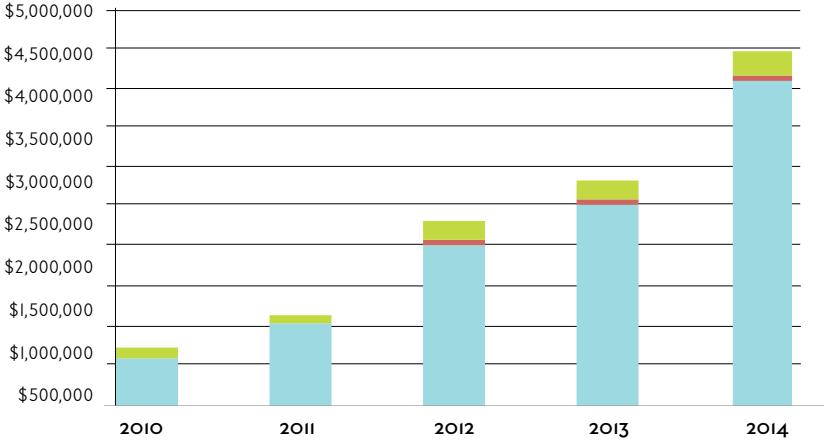


■ Grants & Contributions*.....	\$2,329,794
■ Program Income*	\$15,782
■ Contract Revenue Grants*	\$466,500
■ Investment and Miscellaneous Income*	\$26,714

*Totals are for 2014

IMT EXPENSE TRENDS

Note 1: Expense growth in 2014 is primarily due to the City Energy Project.



■ Program Expenses*.....	\$4,149,993
■ General Management Expenses*	\$288,658
■ Fundraising Expenses*	\$97,643

*Totals are for 2014

ACKNOWLEDGEMENTS

Our work would not be possible without the generosity of our funders:

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The District of Columbia Sustainable Energy Utility

The Energy Foundation

Global Buildings Performance Network

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The Kresge Foundation

The John Merck Fund

Neighborworks America

Rockefeller Brothers Fund

Tilia Fund

United Nations Development Programme

U.S. Department of Energy

Urban Sustainability Directors Network



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