



HIGBY
NOW
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GERDINGEDLEN

**NEW ISLAND CAPITAL
ENVIRONMENTAL AND
COMMUNITY IMPACT
ANNUAL REPORT
2019**

ESG STANDARDS

Gerding Edlen's sustainability and community impact strategy includes alignment with internationally-recognized responsible investment standards and collaboration with organizations working to accelerate the adoption of equitable social, environmental and economic considerations into financial markets.



The Global Real Estate Sustainability Benchmark (GRESB) is the most prominent world-wide investor-driven organization integrating sustainability into the commercial real estate industry. The environmental, social and governance (ESG) practices of real estate investment managers is assessed through an annual real estate survey aligned with international reporting frameworks and informed by the most material aspects to real estate investors.

Signatory of:



The United Nations brought together institutional investors and a group of distinguished experts to develop **The Principles for Responsible Investment** representing a set of investor commitments which promote responsible investment and lead to a more sustainable global financial system. Key to these commitments is progress reporting through an annual survey by investor signatories on their efforts to incorporate ESG into their business activities.



B Corporations are for-profit companies in all industry sectors— product and service companies alike— dedicated to balancing purpose with profit. B Corps seek to ultimately shift the business paradigm and be a force for good in the economy. Certification requires a deep evaluation of a firm's social and environmental efforts as well as transparency and accountability, and is awarded by the non-profit, B Lab. As a certified B Corporation, Gerding Edlen demonstrates its commitment to triple-bottom line benefits for its employees, investors, the community and the planet.



Greenprint, an effort of the Urban Land Institute's Center for Building Performance, a long-standing real estate industry organization with an international footprint, brings together leading investment managers, property managers and developers committed to reducing the negative environmental impacts of the real estate industry while achieving financial returns. The goal of Greenprint members is to reduce greenhouse gas emissions by 50% by 2030 through the collaboration of best practices and through annual benchmarking to demonstrate progress.



GERDING EDLEN LIVABLE PLACE INDEX™



This report provides measurable outcomes to the environment and to local communities both on a portfolio-wide and property basis through Gerding Edlen's Livable Place Index. Our Livable Place Index is a proprietary methodology for quantifying environmental and community impacts based on a triple bottom line approach— People, Planet, Prosperity.



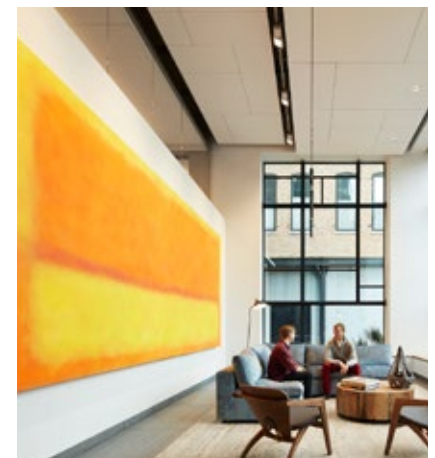
PEOPLE

Sustainable, inviting spaces are ones where 20-minute living can become a reality. The concept of 20-minute living refers to properties with a rich variety of services and amenities for people to enjoy within a 20-minute walk, bike ride or transit ride. We track the livability and 20-minute living opportunities our buildings provide our residents through Walk Score, Bike Score, and Transit Score.



PLANET

We measure the environmental impacts of our properties through key performance indicators— energy, carbon, water and waste. We track energy, carbon and water by comparing actual operational data or modeled data to performance for a standard building. Waste data is tracked from monthly reports provided by the waste hauler for each property, where available.



PROSPERITY

Our projects become opportunities to bring profound and lasting economic benefits to local and regional communities. The key economic performance indicators we track include total jobs created, union construction jobs and overall fiscal impacts. During building operations, we track local, minority and women-owned vendors and affordable housing.

[More detail on the methodology for the Livable Place Index is included on page 7.](#)

HIGBY was designed and constructed by Gerding Edlen to optimize energy, water and waste as demonstrated by the property's LEED Platinum certification, the highest green building designation awarded by the U.S. Green Building Council. The current strategy for the property is to expand the property's sustainable impacts in building optimization, operational health and wellness strategies, and resident and community engagement.

BUILDING OPTIMIZATION

In 2019, Gerding Edlen worked with several vendors to evaluate two renewable energy options—solar hot water and solar PV (electric), which were presented in the 2020 Business Plan. While these systems have different costs and long-term financial returns, each would reduce greenhouse gas emissions associated with building operations and lower operating expenses, elevating the property's sustainability profile. The proposals are currently under consideration for future implementation.

HEALTH AND WELLNESS

Many design features at Higby support resident health and wellness. Open-air corridors allow residents to experience temperature variations and connect to the outdoors as they move through the building. Highly-filtered apartment ventilation and an abundance of natural light in units promote wellbeing. A variety of open and shaded outdoor spaces planted with greenery create a relaxing atmosphere and invite social connection.

Operationally, Higby maintains green building policies designed to protect occupant health as well as the environment. One example is Higby's building-wide green cleaning program. At move-in, each resident receives two green cleaning products with management refilling tenants' empty bottles upon request. These environmentally-friendly cleaners are third-party verified as non-toxic and positively impact indoor air quality.

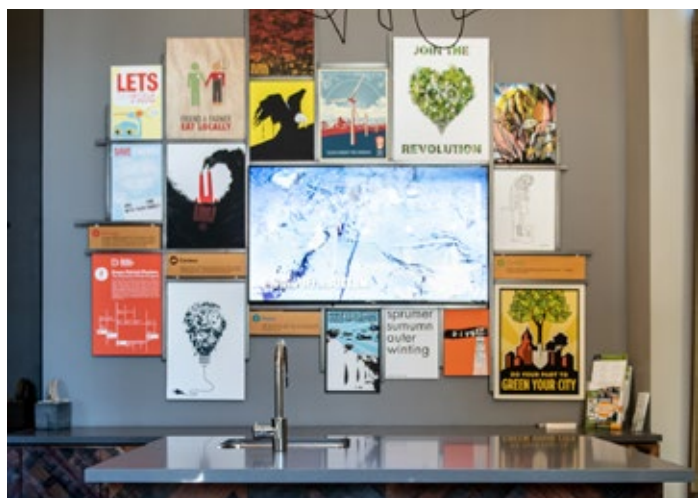
TENANT ENGAGEMENT

Higby's community is stronger when residents connect with each other. In 2019, management built a strong sense of community through curated programming that facilitated connections and promoted sustainable lifestyle practices.

Regular social events were held during the year, including an Earth Day celebration and a summer barbeque. At both events, organic, local food and beverage was served family-style which minimized packaging, reduced waste and supported local vendors.

Higby offers residents a robust recycling program, collecting glass, aluminum, cardboard and organic waste for composting. Beyond the tenant program, management responsibly recycles all light bulbs and batteries associated with building operations. Higby's waste management program is currently being expanded to incorporate e-waste and textile recycling.

Expanded resident programming in 2020 includes an optional green dry-cleaning service, an optional green power purchase program and a community-supported agriculture (CSA) option which features seasonal and local organic produce delivered directly to residents.





LOCATION: BERKELEY, CA
TYPE: RESIDENTIAL MIXED-USE
SQUARE FOOTAGE: 112,100
UNITS: 98
PROJECT COMPLETION: 2015

PERFORMANCE

Based on 2019 performance, Higby used 10% less energy than a standard building. Higby's 2020 energy reduction target is a 5% reduction from 2019's energy use with results tracked quarterly.

ENERGY EFFICIENCY

Higby features high-efficiency glazing and insulation, highly efficient centralized hot water heating and high-filtration ventilation air supplied directly to each apartment.

SUSTAINABLE MATERIALS

To support occupant health and wellness, non-toxic materials and finishes in construction were used including paints, adhesives and sealants. Wood flooring is FloorScore certified and features 98% post-industrial recycled content. Building insulation and all interior carpet is Living Building Challenge Materials Red List certified. Red List certified materials are the most sustainable in the industry and contain zero substances harmful to human health and the environment.

ALTERNATIVE TRANSPORTATION

The building is well connected to several bus lines and BART, the mass transit rail system. Residents also have access to a secure bike room with forty-five bike parking spaces and a repair and maintenance station.

ARTWORK

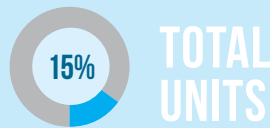
The art at Higby focuses on nature both in classical representations and in metaphor. The eclectic artwork was commissioned from local artists and ranges from oil painting to printmaking to photography.



PEOPLE

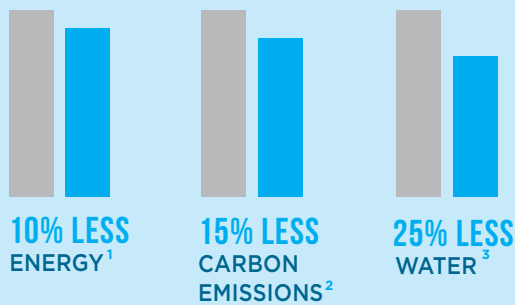
WALK SCORE®: 87/100
 BIKE SCORE™: 89/100
 TRANSIT SCORE®: 58/100

AFFORDABLE HOUSING



PLANET

ANNUAL ENERGY, CARBON EMISSIONS & WATER SAVINGS



■ STANDARD BUILDING ■ HIGBY

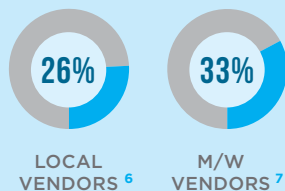


PROSPERITY

CONSTRUCTION

FISCAL IMPACT⁴
\$72,626,400
 TOTAL JOBS CREATED⁵
427

OPERATIONS



FOOTNOTES

- 1 Calculations based on energy use for 2019 compared to the median energy use of similar buildings in similar climate zones collected from the current CBECS survey data set used as the baseline in EPA's Portfolio Manager as of January 2020. Please refer to the Livable Place Index overview at the end of this report for more detail on the energy savings calculation methodology. Calculations verified by an independent specialist in energy engineering.
- 2 Carbon emissions are calculated based on actual therm and kilowatt hour use multiplied by the emissions factors for electricity and natural gas, as published by the EPA. Emissions factors for electricity are specific to each property's local utility provider. Carbon emissions for the "standard" building baseline are calculated based on the median energy use of similar buildings in similar climate zones. Calculations verified by an independent specialist in energy engineering.
- 3 Water savings calculated by comparing actual water use to the median water use of similar multifamily buildings, or 42 gallons/sf, as published by the EPA. Calculations verified by an independent specialist in energy engineering.
- 4 Fiscal impacts include direct, indirect and induced economic impacts attributed to the construction or renovation of the properties in this portfolio as calculated by an independent consultant using an economic development forecasting program called IMPLAN. Fiscal impacts reflect cumulative data for Higby since initial property development.
- 5 Total jobs created during the construction or renovation of the properties in this portfolio as calculated by an independent consultant using an economic development forecasting program called IMPLAN. This figure is updated annually to reflect jobs created during renovation or TI work in the reporting year.
- 6 Local vendors include all property vendors for the year based in the city where the property is located which operate only within the city and its adjacent area.
- 7 Minority and woman-owned vendors represents the percentage of local businesses that are minority or women-owned. If ownership is 50%+ minority or women, it is included in this category.

LIVABLE PLACE INDEX™

Gerding Edlen's Livable Place Index is a proprietary methodology for quantifying environmental and community impacts based on a triple bottom line approach – People, Planet, Prosperity. The People data is based on Walkscore and these values are updated annually. Planet data represents annual savings calculations for key performance indicators – energy, carbon, water and waste. All energy, carbon and water savings calculations are performed and/or verified by an independent specialist in energy engineering. There can be no assurance that estimated returns or projections can be realized or that actual returns or results will not be inferior than those estimated herein. For buildings under construction at the time of the report or new construction properties in operation for less than one year, energy savings is derived by comparing the as-designed building to a baseline performance reflecting the national energy code, per the energy model associated with the building's LEED certification. For all commercial and multifamily properties in operation for more than one year, actual energy use is compared to a baseline performance of median buildings of similar type and in similar climate zones derived from Energy Star Portfolio Manager. The allocation of electricity and gas use in the baseline is adjusted to match the allocation of electricity and gas reflected in each property's actual consumption during the first year of stabilized operation. The current baseline reflects Portfolio Manager's update to the 2012 version of the Commercial Buildings Energy Consumption (CBECE) survey. Natural gas is converted to kilowatt hours for a common unit of measurement in calculating energy savings percentages. Carbon emissions are calculated based on actual or modeled therm and kilowatt hour use multiplied by the emissions factors for electricity and natural gas, as published by the EPA. Emissions factors for electricity are specific to each property's local utility provider. For buildings under construction at the time of the report or new construction properties in operation for less than one year, water data is taken from the water calculations associated with the building's LEED certification and adjustments are made to account for cooling tower evaporation, pool use (where applicable) and irrigation. For all commercial and multifamily properties in operation for more than one year, the baseline reflects the median annual water use of similar building types as provided by Energy Star Portfolio Manager. Waste refers to all municipal waste generated at the property during operations. Waste reductions reflect the amount of municipal waste that is recycled and/or composted. Any data used is provided by the waste hauler for each property. Prosperity data includes jobs created and fiscal impacts associated with the cost of construction or renovation for each property derived from an economic development forecasting program, IMPLAN. These values are calculated at property development or acquisition and are only modified year to year to include jobs created and fiscal impacts associated with the cost of additional renovation or tenant improvement expenditures. The results are provided by an independent consultant and are calculated using the most recent available statewide economic data. Gerding Edlen is not responsible for the accuracy of any third party information provided in this report. Information shown herein is valid as of April 2020.



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VIBRANT COMMUNITIES, AND
INVESTMENT QUALITY ASSETS,
CREATING PROSPERITY.

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