



January 25, 2011

Re: Energy Efficiency Upgrade Recommendation & Analysis

Trey,

Chicago FBI Property Management has performed a preliminary financial analysis of energy performance improvements for the FBI Chicago Regional Office using the US EPA's Building Upgrade Value Calculator, and would like to present the following information regarding capital investments that will improve the overall performance of this property:

- Garage Lighting Retrofit

The estimated cost of the investment would be \$168,178 or \$0.39 per square foot, after applicable rebates. Based upon our calculations, we estimate that these investments would result in the following projected financial outcomes:

- Annual energy savings of \$46,197
- Annual labor and supplies savings of \$35,679
- Total annual savings of \$81,876 or annual operating expense savings of \$.019 per square foot
- Simple payback period of 2.05 years
- Return on Investment of 49%
- Net Present Value of \$381,217
- Internal Rate of Return of 48%

If all of these savings were to flow to the bottom line, they would represent a potential increase in Net Operating Income of \$81,876. Using the income approach to value, this translates into the potential addition of \$1,364,600 to FBI Chicago Regional Office's asset value, at a capitalization rate of 7%.

We also estimate that the improvements would result in a small increase to the FBI Chicago Regional Office's national energy performance rating of a 95. This rating provides a comparison, against the national average, of a building's energy performance, and can serve as the foundation for a strategic approach to energy management that will optimize investments in energy efficiency. The rating system accounts for the impacts of year-to-year weather variations, as well as building size, location, and several operating characteristics to make a more objective and comparable assessment of energy performance.

I also want to make you aware that in order for us to receive the \$105,000 in grant funding; we must approve and sign the grant agreement that is located in section 3 of the proposal booklet. There are time restrictions for grant acceptance and completion of the project.

Finally, I have included an attachment on potential federal tax credits that may be captured by completing this project due to the energy savings, our status as an LLC, and that our building is fully occupied by a federal tenant. If we were to move forward with the work, accounting could follow up with any and all tax deductions that may be achievable. Unofficially, I have been told that this amount could equal up to \$80,000 dollars.

Therefore, we recommend and request approval for these energy efficiency measures to improve FBI Chicago Regional Office's overall performance. Please contact me if you have any further questions.

Thank You,

Rick Pospisil