

**Business Insights,
exclusively from KeyBank**

Turn Your Dealership Green and Save on Energy



Increasing numbers of auto dealerships throughout the country are implementing upgrades that improve energy efficiency, reduce waste and minimize the impact on the environment. Dealers know that lower energy use translates into improved profitability and cash flow, and investments in sustainability can add significant value to business assets. To best maximize your immediate and long-term savings, it's important to have a plan that outlines your goals and the types of improvements and investments you'll make.

It's no surprise that Chuck Gile was looking for a way to cut energy expenses at Motorcars Honda in Cleveland Heights, Ohio. Reducing energy costs is a major consideration for U.S. automobile dealerships, where energy is the third-highest overhead expenditure. According to the National Automobile Dealers Association, American dealerships use about 18% more energy per square foot than a typical office building.

"We were aggressively searching for opportunities to make a significant dent in our energy spending," said Gile of Motorcars Honda. "We also wanted to reduce our carbon footprint, and we were seeking a partner who could work with us to explore our options."

Thanks to KeyBank Dealer Services and Key's Community Bank Energy Efficiency and Renewables team, Gile found the solution he was looking for. "Our dealership will now be able to provide for about 70% of our energy needs through a new solar lighting array, as well as benefit from a new, full relationship with KeyBank," said Gile. "With the bank's help, we found a way to become more energy efficient and go green at the same time. It's the best of all worlds for Motorcars Honda."

Key Takeaways



American dealerships use about 18% more energy per square foot than a typical office building.



A dealership can typically reduce its energy bill 55% to 60% by making dealershipwide enhancements.



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Key and Motorcars Honda were named GEO Business of the Year 2014 Award recipients by Green Energy Ohio.

Turning the dealership green

“Starting with a referral from an LED energy efficiency installer, we originally began talking with Motorcars Honda to discuss financing options for lighting equipment,” said Joe Paterniti, VP, Key’s Community Bank, Enterprise Manager: Energy Efficiency and Renewables.

That initial conversation led Motorcars Honda to view Key as a valued resource. The dealership then requested the Community Bank’s energy team’s guidance in evaluating a solar system, assisting with the incentives, coordinating with the installer and providing debt financing. “With the support of KeyBank Equipment Finance, KeyBank Dealer Services provided Motorcars Honda with an equipment lease solution tailored to the dealership’s solar financing requirements,” said Tom Gunter, Vice President and Senior Relationship Manager, KeyBank Dealer Services. “Our goal with the 10-year financing and the dealership was to be cash-flow positive, and the lease we designed enabled us to meet the dealer’s need.”

This collaboration produced award-winning results: both Key and Motorcars Honda were named GEO Business of the Year 2014 Award recipients by Green Energy Ohio (GEO), a not-for-profit organization dedicated to promoting environmentally and economically sustainable energy policies and practices in Ohio.

Taking a strategic approach to energy efficiency

A dealership’s energy efficiency and sustainability options can surface in a number of ways:

- An end-of-life situation where the HVAC system needs to be replaced
- Make environmentally driven improvements for the benefit of the employees, customers and the community
- Green energy incentives or promotions by manufacturers
- Facility and operating expense optimization to improve cash flow

No matter how the interest in sustainability comes about, achieving energy efficiency represents a significant opportunity for dealerships. KeyBank’s approach to helping dealers improve their energy efficiency begins with the KeyBank Dealership Services (KBDS) team. Our relationship managers work closely with dealers to identify opportunities and needs in all facets of their businesses, including utility costs. When a KBDS relationship manager and auto dealer identify the potential for improvement in energy efficiency, KeyBank’s Energy Efficiency and Renewables team enters the picture.

“Once the KBDS relationship manager makes the introduction, our Energy Efficiency and Renewables team works with a dealer to create an energy efficiency strategy,” says Paterniti. “We take a Lean 6 Sigma consultative approach, one that looks at the building operating expenses in a comprehensive way to find ways to save money.”

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The best opportunities for saving energy can be found in the areas of highest consumption: HVAC and lighting, which can account for about 70% of a dealership’s energy use. And benefits go beyond cost savings. For example, energy-efficient LED lighting not only cuts energy consumption but helps showcase cars better than traditional lighting, providing dealerships with an important marketing bonus.

– Tom Gunter, Vice President and Senior Relationship Manager, KeyBank Dealer Services

He added, “A common misperception is that the value in going green is just to take advantage of tax breaks and incentives. But energy efficiency is a cash play, and there are substantial potential benefits to cash flow and profitability whether incentives are available for your project or not. In fact, a dealership can typically reduce its energy bill 55% to 60% by taking the long view and making dealership-wide enhancements. And once the financing is paid off, the energy-saving benefits continue for years.”

There is solid evidence demonstrating that multiple energy efficiency retrofits enable businesses to achieve significant improvements. In a 2014 study by the U.S. Green Building Council, projects meeting higher Leadership in Energy and Environmental Design (LEED®) standards consistently averaged 55% to 60% design energy efficiency gains over earlier and less stringent criteria.

Becoming energy efficient: KeyBank’s commitment from start to finish

Using the combined resources of our relationship managers and our energy efficiency teams, KeyBank works closely with a dealer from the outset to help develop their energy strategy. “We engage with the client to learn what they’re trying to accomplish, and then we help them develop a plan to meet those needs,” said Paterniti. “We participate in the dealership’s assessment to determine where the opportunities are, identifying them through experienced installers.”

After the plan is developed, we continue to work with the dealer on implementation. “We have established relationships with industry partners in every facet involved in energy efficiency, including lighting, HVAC, geothermal, solar, windows, insulation and roofing,” said Paterniti. “We introduce businesses to these installers, and we also assist the dealer and their accounting firms to identify available tax benefits and incentives along with any resources provided by utility company programs.”



Asking the Right Questions

Evaluating your dealership’s energy-efficiency options starts with a few basic questions:

- Have you examined cost reduction opportunities for your facility, especially in the areas of HVAC and lighting, where potential savings are the greatest?
- How much are you spending on building and energy-related equipment maintenance? What are your projections for future maintenance expenditures?
- Do you have any annual building equipment repair expenses due to outdated equipment?
- Do you anticipate any near-term end-of-life building equipment needs?
- How are you managing annual utility cost increases?
- Is sustainability something you, your employees and the communities you serve are concerned about?
- Do your customers value companies that are committed to sustainability over others when making purchasing decisions?
- Energy efficiency retrofits and renewable energy use have the potential to save your dealership 55% to 60% of your utility costs. Have you evaluated the benefits of sustainability?
- Does your manufacturer provide incentives and support for sustainability and energy efficiency initiatives at dealerships?
- Are you familiar with federal, state and local tax benefits and other resources that are available to businesses that invest in energy efficiency?
- Have you explored leveraging solar energy to reduce your utility expenses?

Once the dealer decides on the appropriate energy efficiency options, Key can help the dealer with financing. “Our objective is to design a credit solution that is both cash flow and earnings positive,” said Gunter. “Our Dealer Finance team is able to draw on the full resources of the bank to develop a loan facility that’s optimal for the dealership. In Motorcars Honda’s case, we coordinated with our equipment finance experts to develop a leasing solution that met the dealership’s unique needs.”

Manufacturers support dealership energy efficiency

As mentioned, many auto manufacturers are actively promoting sustainability initiatives at dealerships. For example, the GM Sustainability Program educates dealers on techniques to reduce energy costs and build facilities in an ecologically friendly way. In addition, GM highlights energy-efficient dealers in its messaging, including green certification in GM Sustainability Reports.

Honda’s efforts to help U.S. dealerships reduce operational carbon dioxide emissions includes its Green Dealer Guide, a comprehensive step-by-step information to assist a dealer in reducing its operation’s environmental impact and be eligible for the Honda Environmental Leadership Award. Toyota and Lexus have programs to work with dealers on new construction and remodeling projects that encourage sustainable building practices and help dealers satisfy LEED® standards.



The next step in sustainability

From consultation on strategy through financing, KeyBank provides auto dealers with the resources needed to take advantage of green energy solutions. Returning to Motorcars Honda, Key’s unique customized-solutions approach was an important differentiator, and it became even more powerful when combined with its auto and green energy industries expertise. “KeyBank didn’t just help us in certain places: the bank was involved at every step from conception through implementation,” Gile remarked.

“KeyBank proved to us that it could meet our long-term needs beyond just financing our energy project.”

“As we worked with Motorcars Honda, we were able to demonstrate the value that a full banking relationship with Key provides. We earned the relationship through the proactive and personalized approach we take to deliver solutions that are tailored and customized for each unique dealer’s situation. And it all started with a conversation about energy efficiency,” concluded Gunter.

Key’s commitment to environmental sustainability

Key is a recognized leader in helping clients achieve energy efficiency and renewable energy, and our experts are armed with the resources, connections, and financing to design and implement unique solutions. Our support for a greener environment doesn’t stop there, because we’re hard at work building a culture of sustainability throughout Key.

“Several years ago, we put responsible initiatives in place throughout the organization that produced winning results—for Key, its shareholders, and the planet,” said Beth Mooney, Chairman and CEO of KeyCorp. “Key has an unwavering commitment to reduce our environmental footprint by building green and going green whenever possible.”

In 2014, we reduced our greenhouse gas emissions by more than 8% over 2013 and made significant progress in quantifying and defining our energy and emissions data. Key added more locations to our energy database, and we also began capturing additional emission data inputs that are material to our operations, such as rental car miles and employee reimbursement miles for business travel. The new process and data help us achieve a more accurate and complete picture of our operational footprint and manage it with greater efficiency.

Key continues to implement environment-friendly policies and practices throughout the workplace. In November of last year, our Albany facility achieved LEED® Gold certification, making it our twenty-third LEED-certified facility and bringing our LEED certified corporate square footage to 48%. LEED—which stands for Leadership in Energy and Environmental Design—is a green building certification program of the U.S. Green Building Council that recognizes best-in-class building strategies and practices.

Our eco-friendly branches incorporate biodegradable materials and energy-efficient systems and lighting, including HVAC with remote temperature controls. Large video walls at branches reduce the need for printed paper merchandising and posters, and native plants are used in landscaping to reduce transportation and maintenance costs.



Our Key Teller21 technology platform lets tellers capture check images at the teller station, reducing check handling and eliminating the need to transport checks for processing. Our SmartPrint program cuts the number of printers and copiers by 75% and reduced color printing at Key by half. And online statements and Bill Pay services eliminate paper waste and the need to transport paper documents, resulting in lower paper costs and carbon emissions.

At Key, we believe that emerging renewable energy technologies and practices have tremendous potential for both our clients and our bank. We will continue to be a leader in protecting our environment as we expand energy-efficient practices and reduce waste and energy use throughout our operations. To learn more about Key's commitment to sustainability and corporate responsibility, visit our latest corporate responsibility report at www.key.com/crreport.

For more information on how you can turn your dealership green, we're here to help.

KeyBank is committed to your success and to being the best provider of dealer-oriented commercial financial services in the business. To learn more, visit key.com/dealer or call 1-888-288-6539 to speak with a Relationship Manager near you.

