

DOE Building Technologies Webinar: Tools and Best Practices for Implementing Green Leasing

U.S. DEPARTMENT OF
ENERGY

Energy Efficiency &
Renewable Energy



Speakers

- **Adam Sledd**- Institute for Market Transformation
- **Steve Teitelbaum**- Washington Metropolitan Area Transit Authority
- **Jim Nobil and Alexandra Kosmides**- U.S. General Services Administration (GSA)

Date/Time

March 26th 1:00 - 2:30 PM (EDT)

- 1:00** **Welcome and Introduction** (Kristen Taddonio, Department of Energy)
- 1:05** **Speaker Introduction** (Andres Potes, Booz Allen)
- Adam Sledd - Institute for Market Transformation
 - Steve Teitelbaum - Washington Metropolitan Area Transit Authority
 - Jim Nobil and Alexandra Kosmides - U.S. General Services Administration (GSA)
- 1:10** **Introduction to the Green Lease Library**
(Adam Sledd, Institute for Market Transformation)
- 1:30** **Implementing Green Leases**
(Steve Teitelbaum, Washington Metropolitan Area Transit Authority)
- 1:50** **GSA Sustainability and Green Leasing**
(Jim Nobil and Alexandra Kosmides, U.S. General Services Administration)
- 2:10** **Q&A and Discussion** (Andres Potes)
- 2:30** **Adjourn**

What is CBEA?

- The Department of Energy's Commercial Building Energy Alliances (CBEA) are partnerships between DOE and the commercial building sector:
 - Commercial real estate
 - Healthcare
 - Retail
 - Higher education
- CBEA members are building owners, managers, developers, and operators that control more than 8 billion square feet of the total floor space
- The purpose of the alliances is to help members make informed decisions about implementing energy efficiency practices
- CBEA provides tools to members including sector-specific information, peer exchange opportunities, stakeholder collaboration, and other resources

CBEA Market Transformation Team

- The CBEA market transformation team is one of several alliance project teams that cut across building sectors
- This project team helps CBEA members to overcome non-technical barriers to implementing energy efficiency
 - Green leasing
 - Financing
 - Stakeholder partnerships
 - Training
- To join contact kristen.taddonio@ee.doe.gov

Adam Sledd



Institute for Market Transformation, Program Manager, Green Leasing and Federal Buildings Program

As a founding partner at Sledd Properties LLC, Adam brings almost a decade of commercial real estate management experience to IMT. Prior to joining IMT, Adam was a business development and marketing associate at Ready Corporation Worldwide, a leading provider of pre-engineered sustainable building systems. His work there included developing housing proposals for the U.S. Department of Homeland Security as well as the governments of Ghana and Haiti. He has also worked extensively in the film and publishing industries. Adam received his bachelor's degree in Media Studies from Pitzer College and is currently working on his MBA at American University.

Steven A. Teitelbaum



Washington Metropolitan Area Transit Authority, Senior Real Estate Advisor in the Office of Station Area Planning & Asset Management

Mr. Teitelbaum works with the private sector to monetize WMATA's real estate assets and enhance ridership, whether through development, sale or lease. Before joining WMATA, Mr. Teitelbaum spent three decades practicing commercial real estate law at large law firms in Washington, DC and New York City. Mr. Teitelbaum earned both his undergraduate and law degrees from Columbia University. He also authored the publication generally referred to as the BOMA Green Lease Guide and is a frequent lecturer on commercial real estate topics.

James Nobil Jr



U.S. General Services Administration, Public Buildings Service, Office of Real Estate Acquisition and Center for Realty Policy

Jim Nobil is a Senior Realty Specialist with GSA's Center for Lease Policy in the National Office of Leasing. Jim's position at GSA entails establishing leasing policies and the implementation of laws and regulations as they may pertain to GSA's leasing programs. With 25+ years of private sector commercial real estate experience Jim has held senior level positions in real estate acquisition, disposition, commercial and multi-family development, and asset management with several national firms. Jim holds a Senior Certified Leasing Specialist designation from the International Council of Shopping Centers.

Alexandra Kosmides



U.S. General Services Administration, Public Buildings Service (PBS), Office of Leasing

Alexandra serves as the Sustainability Representative in the National Office of Leasing, interpreting, coordinating, and implementing various green leasing initiatives for PBS and GSA. She developed the systems, procedures, and guidance required to report key internal and external green-leasing measures for PBS and GSA. Alexandra has 20+ years of private-sector real estate experience related to conducting market research and site selection analysis. She earned her undergraduate (University of Delaware) and graduate degree (Johns Hopkins University) in urban studies and city planning. Alexandra is an active member of the Urban Land Institute, D.C. Building Industry Association, U.S. Green Building Council, and National Building Museum.



Introduction to the Green Lease Library



NYUSCHACK
Institute of Real Estate



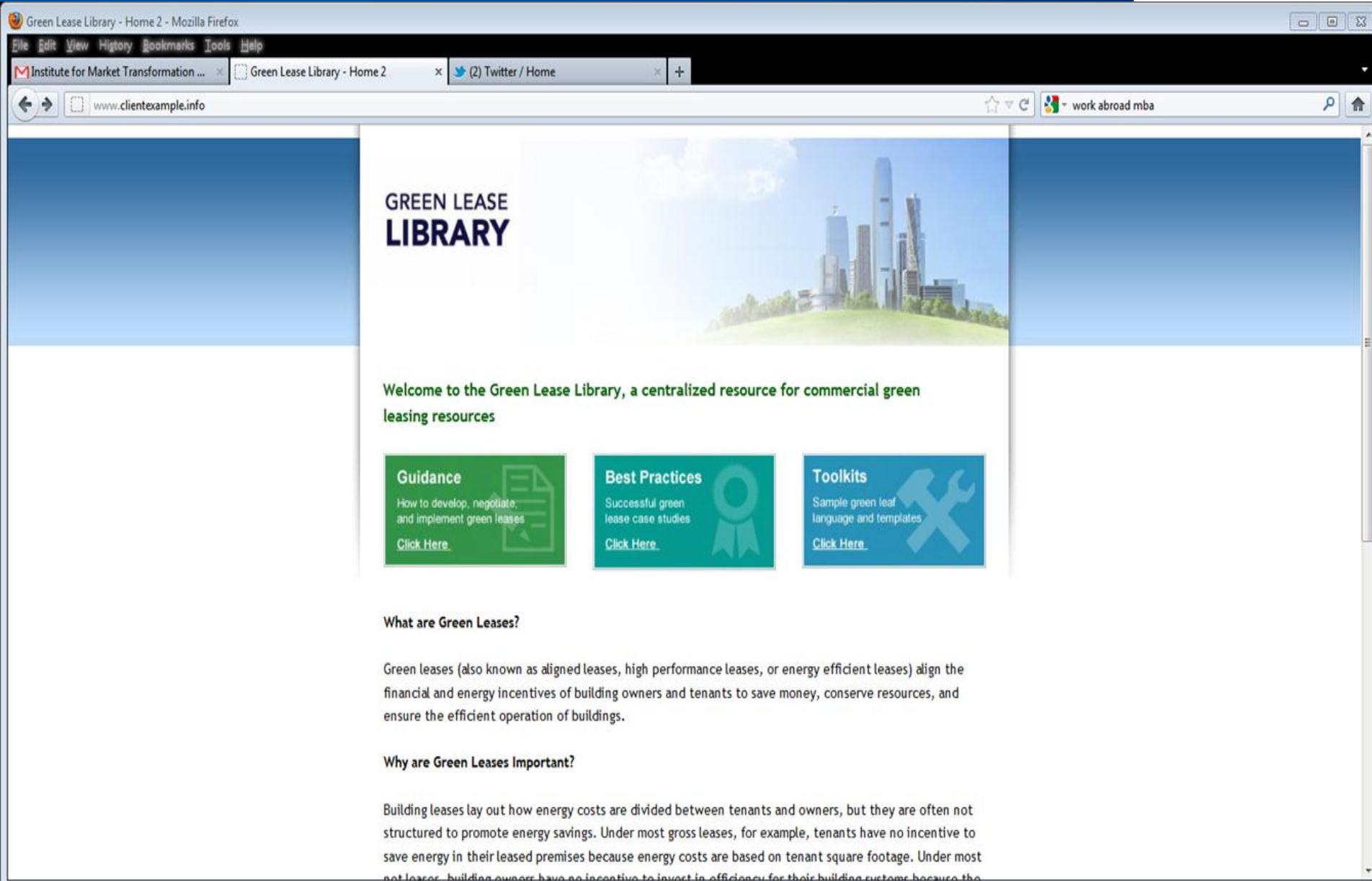
U.S. DEPARTMENT OF
ENERGY
Energy Efficiency &
Renewable Energy



Adam Sledd
Program Manager, IMT

March 26, 2012

A Collaborative Resource



The screenshot shows a Mozilla Firefox browser window displaying the Green Lease Library website. The browser's address bar shows the URL www.clientexample.info. The website has a blue header with the text "GREEN LEASE LIBRARY" and a background image of a city skyline on a green hill. Below the header, there is a welcome message: "Welcome to the Green Lease Library, a centralized resource for commercial green leasing resources". Three green buttons are visible: "Guidance" (with a document icon), "Best Practices" (with a ribbon icon), and "Toolkits" (with a wrench icon). Each button has a "Click Here" link. Below the buttons, there are two sections: "What are Green Leases?" and "Why are Green Leases Important?".

GREEN LEASE LIBRARY

Welcome to the Green Lease Library, a centralized resource for commercial green leasing resources

Guidance
How to develop, negotiate, and implement green leases
[Click Here](#)

Best Practices
Successful green lease case studies
[Click Here](#)

Toolkits
Sample green lease language and templates
[Click Here](#)

What are Green Leases?

Green leases (also known as aligned leases, high performance leases, or energy efficient leases) align the financial and energy incentives of building owners and tenants to save money, conserve resources, and ensure the efficient operation of buildings.

Why are Green Leases Important?

Building leases lay out how energy costs are divided between tenants and owners, but they are often not structured to promote energy savings. Under most gross leases, for example, tenants have no incentive to save energy in their leased premises because energy costs are based on tenant square footage. Under most net leases, building owners have no incentive to invest in efficiency for their building customers because the

Collected Guidance and Practices



Guidance - Green Lease Library - Mozilla Firefox

www.clientexample.info/guidance.html

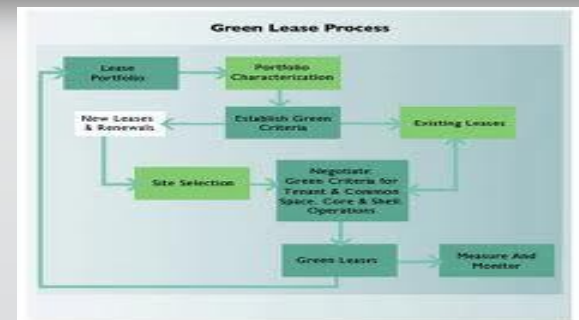
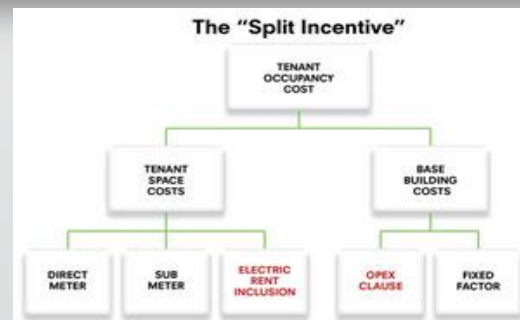
Home | Guidance | Best Practices | Toolkits |

Glossary

Guidance

How to develop, negotiate, and implement green leases

Resource	Audience & Building Type	Description	Author	Subscription Type
Green Office Guide: Integrate LEED into your Leasing Process (2009)	Commercial, Tenant, Landlord, LEED	This guide is specifically focused on helping tenants and landlords collaborate. It will help office tenants integrate green decision-making throughout the leasing process	USGBC	Pay
Energy Efficiency Lease Guidance	Commercial, Tenant, Landlord	This guide provides direction for negotiating commercial leases that enable resource efficiency. It addresses energy efficiency as a shared objective between landlord and tenant.	Natural Resources Defense Council (NRDC)	Free
Green Leasing for Multi-Tenant Buildings (2012)	Commercial, Retail, Mixed Use, Tenant, Landlord	A report that discusses split incentives in leasing structures and provides average ROI data on varying	Rocky Mountain Institute	Free
New York	Commercial, Tenant, Landlord		NYUGREEN and NYUSCHAK	Free



Defining Green Leasing

A lease in which landlord and tenant agree to include sustainability concepts and assign costs and benefits of sustainability improvements. The goal is to align incentives to minimize “split incentive” problem.



Why “Green” the Lease?

- Fix the split incentive problem and maximize potential for energy efficiency improvements.
- Ensure that the lease helps each side meet corporate sustainability goals.
- Anticipate lease issues caused by new or potential regulations.

Green Leasing Means More Than LEED

**Energy
Efficient**

≠



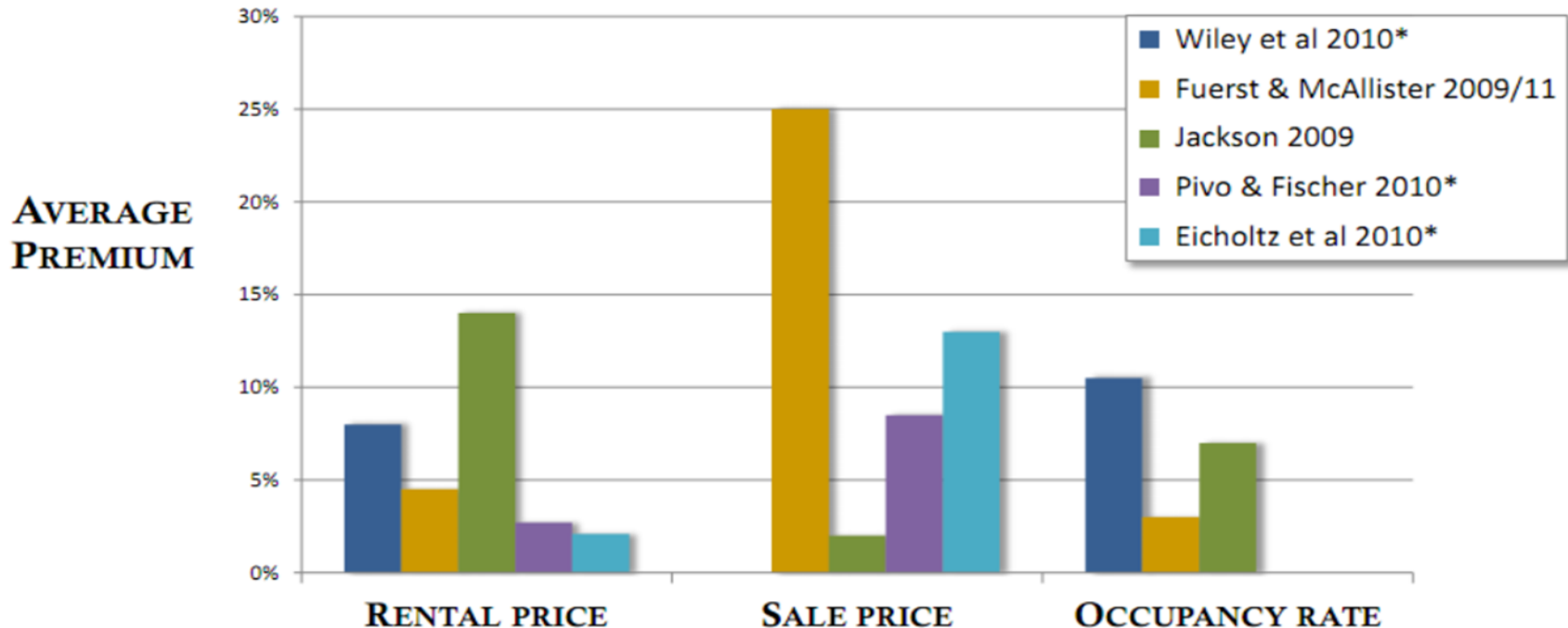
Obstacles To Green Leasing In The Marketplace

- Energy efficiency concepts and benefits not well understood by all four stakeholder groups.
- Even among landlords/tenants with sustainability goals, knowledge is not filtering down to those responsible for leasing efforts.
- Lawyers often negotiate out key points and slow down the deal process.



Photo courtesy of Flickr user: Michael W. May

Added Value of ENERGY STAR-Labeled Commercial Buildings in the U.S. Market



© Institute for Market Transformation, 2011.

*These studies only tracked two of the listed indicators.

All studies controlled for multiple factors, including building size and location.

For more information, please contact David Leipziger at david@imt.org.

Who Pays For Efficiency?

Full service gross

Owner pays for all core building operating and capital expenses.

Modified gross

Owner pays for capital and a “pool” of operating expenses.

Tenant pays all increases in the pool after the first year of the lease.

Net lease

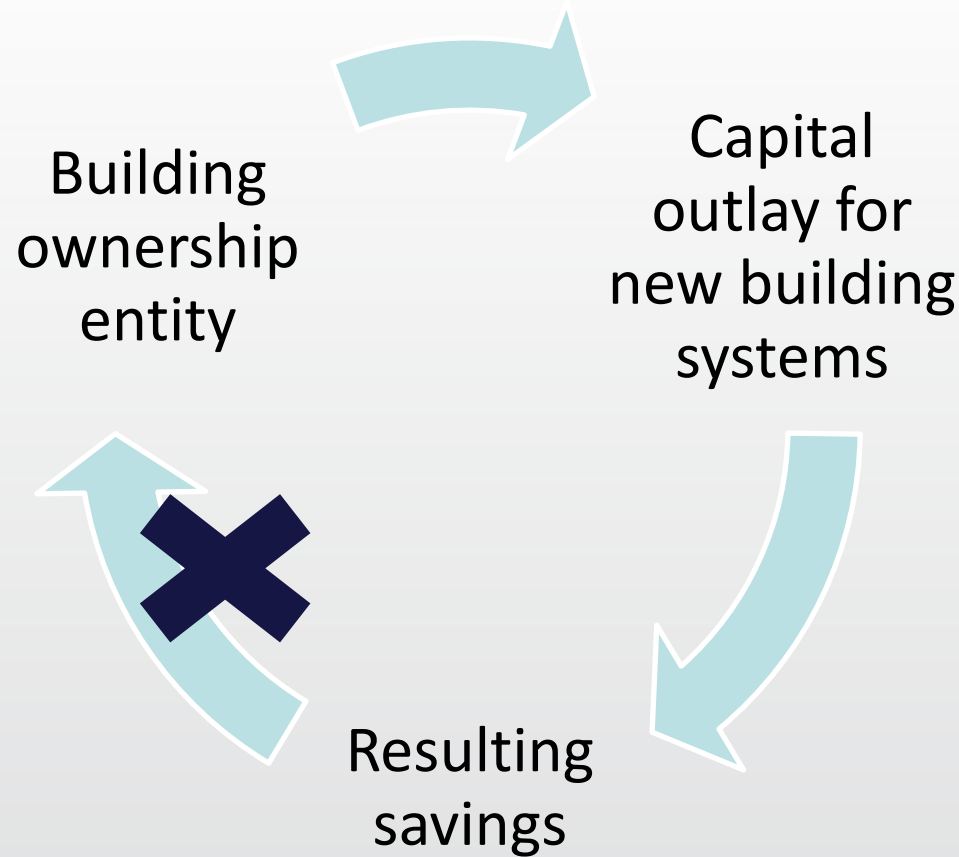
Tenant pays base rent and all operating costs defined in the lease, and may or may not pay for capital improvements.

**Owner
pays**



**Tenant
pays**

The Split Incentive Problem



PlaNYC/REBNY Clause

(b) Capital Improvements.

Landlord may include the costs of certain Capital Improvements in Operating Expenses pursuant to Section 1.1(a)(v)(16) in accordance with the following:

(i) Capital Improvements Intended to Improve Energy Efficiency. In the case of any Capital Improvement that the Independent Engineer certifies in writing will, subject to reasonable assumptions and qualifications, reduce the Building's consumption of electricity, oil, natural gas, steam, water or other utilities, and notwithstanding anything to the contrary in Section 1.1(a)(v):

A. The costs of such Capital Improvement shall be deemed reduced by the amount of any NYSEERDA or similar government or other incentives for energy efficiency improvements actually received by Landlord to defray the costs of such Capital Improvement, and shall further be reduced by any energy efficiency tax credits or similar energy-efficiency-based tax incentives actually accruing to Landlord as a result of such Capital Improvement.

B. For the purposes of this Section 1.1(b)(i), "simple payback period" means the length of time (expressed in months) obtained by dividing (x) the aggregate costs of any such Capital Improvement, by (y) the Projected Annual Savings. By way of example: If the aggregate costs of such Capital Improvement are \$2,000,000 and the Projected Annual Savings are \$500,000, then the simple payback period for such Capital Improvement is forty-eight (48) months.

C. Commencing with the first Comparison Year following the year in which such Capital Improvement is completed and placed in service, and continuing for the duration of the Adjusted Payback Period (as hereinafter defined), Landlord may include in Operating Expenses a portion of the aggregate costs of such Capital Improvement equivalent to eighty percent (80%)¹ of the Projected Annual Savings, so that the aggregate costs of such Capital Improvement will be fully amortized over one hundred twenty-five percent (125%)² of the simple payback period (such period of time, the "Adjusted Payback Period"). By way of example: If the aggregate costs of such Capital Improvement are \$2,000,000, the Projected Annual Savings are \$500,000 and the simple payback period for such Capital Improvement is forty-eight (48) months, then Landlord may include \$400,000 of the aggregate costs of such Capital Improvement (i.e., an amount equivalent to 80% of the Projected Annual Savings) in Operating Expenses for five consecutive Comparison Years (i.e. sixty (60) months or 125% of the simple payback period).

- Developed in conjunction with New York City Mayor's Office.
- Landlord recovers cost quickly, tenant nets additional savings after payback.

Start With The LOI

- What are each side's corporate sustainability objectives?
- Does either party need to ensure that a 3rd party standard or certification (LEED, ENERGY STAR) is met?



IMT's Work On Green Leasing

- Assist partners in creating and updating green lease guidance
- Provide technical assistance for D.C. stakeholders via Sustainable Energy Utility
- Educate stakeholders through media, webinars, conferences

TOOLS AND BEST PRACTICES FOR **IMPLEMENTING GREEN LEASING**

Steven A. Teitelbaum
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Author

*BOMA Guide to Writing a Commercial Real Estate Lease, Including Green
Lease Language, 2008*

*BOMA Guide to Sustainable and Energy Efficient Leasing for High-
Performance Buildings,
2011*

2008 - “THE BIRTH OF THE GREEN LEASE”

- CoStar names “the birth of the green lease” one of the ten 10 events of the year for sustainable buildings, yet the subject is still new to many
- The first widely-published green lease forms were circulated

RealPAC - National Standard Green Office Lease for Single-Building Projects (later heavily revised)

BOMA - Guide to Writing A Commercial Real Estate Lease, Including Green Lease Language (superseded in 2011)



WHAT IS A “GREEN LEASE”?

It’s definitely NOT a *standard* lease in a green *building*

It can be a lease that addresses sustainability in a non-green building

Most likely, it is a lease that addresses sustainability in a green (or wannabe green) building

The key is that a “green lease” addresses sustainability issues in a forward-looking manner

“To infinity, and **beyond!**”



GREEN BUILDING vs. GREEN LEASING



Leadership in Energy and Environmental

DESIGN

GREEN BUILDING vs. GREEN LEASING



Leadership in Energy and Environmental

PERFORMANCE

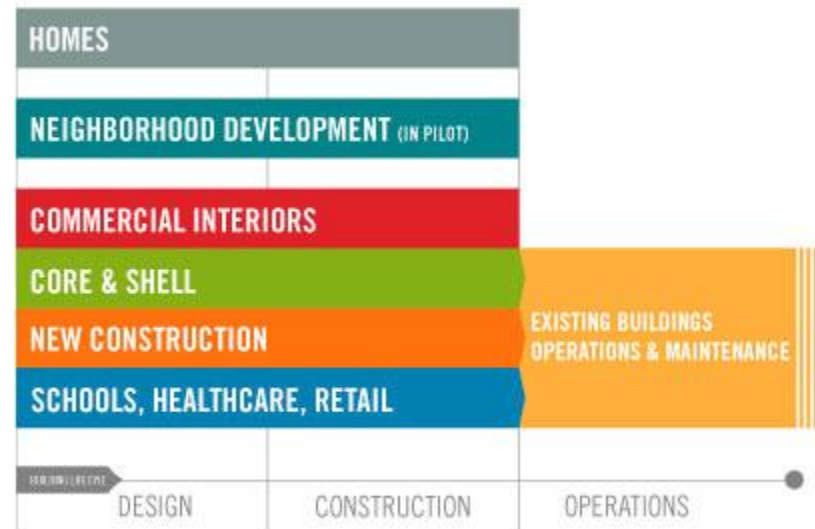
LEED for Existing Buildings: Operations & Maintenance

Most LEED certifications are oriented to design and construction issues

- LEED-NC, LEED-C+S, LEED-CI/ID&C

There is one LEED certification that addresses *operations*:

- LEED for Existing Buildings: Operations & Maintenance (LEED-EB:O&M)
- Fastest-growing LEED certification
- Building must have an operating history before it can be certified
- Building must be at least 50% occupied (reduced in late 2009 from 75%)
- Alternatives include Green Globes for Continual Improvement of Existing Buildings and BOMA 360



Source: U.S. Green Building Council

ENERGY STAR

- Energy efficiency is only one of several factors that LEED considers
- *If energy efficiency is your interest, look not to LEED but to the U.S. Government's **ENERGY STAR** rating system*
- Administered by U.S. Department of Energy and U.S. Environmental Protection Agency
 - Uses on-line Portfolio Manager tool -- self-reporting and free
 - Compares your building's actual usage to the usage of the CBECS database
 - Score of 1 (the lowest) to 100
 - 75 or above is ENERGY STAR **"labeled"**
 - LEED – EB: O&M requires an ENERGY STAR score of only 69 (soon 75)
- The CBECS database now in use dates back to 2003. Therefore, current performance is being compared to buildings in a database that predates the modern push to energy efficiency.



ENERGY STAR

The U.S. DOE in September 2011 requested private sector input on a proposed *voluntary* “National Asset Rating Program for Commercial Buildings”

- Would complement, not replace, ENERGY STAR
- Would fill in gaps, such as by rating buildings that are vacant or whose occupancy isn’t sufficient to qualify for ENERGY STAR ratings
- Also would distinguish between intrinsic base building systems and operational choices so that building structures could be measured apples-to-apples and occupant behavior could be identified
- Would identify energy-saving opportunities
- Would apply to both new and existing buildings
- Builds on State-wide systems, such as California and Massachusetts



GREEN LEASES IN THE MARKETPLACE

Various forms in the marketplace that can be used as starting points

- Usually promulgated by trade associations and entrepreneurs
- Vary considerably in their approach and utility
- Shared concept: the key is greening *operations*, not merely greening design and construction
- Form biases
 - Most are pro-landlord for simple reason that landlords are most often the draftsmen and/or consumers of lease forms
 - Exceptions: California Sustainability Alliance and USGBC's own recommendations
 - But if the tenant is the motivating party to going "green," then the tenant can propose its own allocations of responsibility and cost

GREEN LEASES IN THE MARKETPLACE

NYC Government & Real Estate Board of New York (REBNY)

- 2011 – sample lease language adopted
- *Addresses only the “split incentive” issue, not qualitative issues*



Proposes:

- Tenant to share capital expenses to the extent of *projected*, not actual, operating cost savings
- Costs amortized over anticipated “payback” period for the savings, not more customary “useful life” of improvement
- Projections made by independent expert engaged by landlord
- Carrot to tenant is that landlord’s recovery via this pass-through is limited to 80% of projected savings
- Available at http://www.nyc.gov/html/planyc2030/downloads/pdf/110517a_energy_aligned_lease_official_packet.pdf

GREEN LEASES IN THE MARKETPLACE

Natural Resources Defense Council (NRDC) task force, 2008-2009

- “Split incentive” arises in a *net lease* context
 - Landlord pays for capital improvements and tenant pays the building’s operating expenses
 - *Disincentivizes the landlord from spending its capital on green measures that reduce operating expenses because it is the tenant that benefits from the reduced operating expense*
- A bit oversimplified because:
 - In most net leases tenants do pay some capital expenses
 - Landlords have other incentives to improve their buildings, e.g. marketability to tenants and resale
 - Argument starts from assumption that “green” is capital intensive, the so-called “*cost premium*”



GREEN LEASES IN THE MARKETPLACE

Natural Resources Defense Council *Lease Energy Efficiency Guidance*

- Provides conceptual framework for addressing split incentive
- Advocates greater transparency and information-sharing between landlords and tenants
 - Traditionally anathema to landlords
 - But anticipated USGBC's move to require energy efficiency reporting by certified buildings
- Allows landlords more favorable amortization of capital costs incurred in saving energy than traditional "useful life"
- Does not provide actual lease language
- Available at http://cycle-7downloads.com/downloads_files/Energy%20Efficiency%20Lease%20Guidance%203-18-09.pdf

GREEN LEASES IN THE MARKETPLACE

National Standard Green Office Lease for Single-Building Projects

Real Property Association of Canada

www.realpac.ca



- First actual lease to promulgate green lease language
- Puts most green provisions in separate rider
- Great illustration of the rapid shift in green leasing from aspirational to a hard-nosed business approach
 - 2008 version was expressly aspirational
 - Expressly made it not a default for a party to violate the green rider
 - March 2009 reissuance largely abandoned that approach and is hard-nosed and extremely pro-landlord
 - February 2010 reissuance made evolutionary, mostly technical, upgrades

GREEN LEASES IN THE MARKETPLACE

BOMA (Building Owners and Managers Association International)

www.boma.org



2008 – *Guide to Writing a Commercial Real Estate Lease, Including Green Lease Language*

2011 – ***Guide to Sustainable and Energy Efficient Leasing for High-Performance Buildings***

- BOMA Guides incorporate the green language directly into the text
- Very detailed, comprehensive, approach to greening a building's operations and also requiring that tenant build-out be green
- Contain *lots of explanatory text and commentary* discussing both the green and non-green provisions

GREEN LEASES IN THE MARKETPLACE

Green Office Guide – USGBC, Summer 2009

www.usgbc.org

- More of a gentle guide to greening buildings
 - Addresses both build-out and operational matters
 - Really useful for uninitiated tenants
- Includes *good questionnaires, RFP language, and scorecards*
- Provides sample green lease language
 - presented on a stand-alone basis, without context
- Assumes *tenant* is the motivating force, therefore pro-tenant language
 - Lease clauses are somewhat aspirational
 - States that there is no expectation that an alert landlord will agree to a significant amount of this



GREEN LEASES IN THE MARKETPLACE

Green Leases Toolkit

California Sustainability Alliance

www.sustainca.org



California
Sustainability
Alliance

- Assumes that the *tenant* is the driving force in going green
- “*Green Request for Proposal*”
 - Asks landlord for a very thorough explanation of the green elements of its building
- “*Due Diligence Scorecard*” to compare buildings
- “*Lease Provision Database*”
 - Very rudimentary
 - Aspirational, like many early adopters
 - Probably more useful in issue-spotting than in crafting an actual lease

GREEN LEASES IN THE MARKETPLACE

Model Green Lease, 2009

- Since the split incentive arises only in net leases, Model Green Lease tries to encourage use of “gross lease”
 - In true gross lease, tenant pays fixed rent, regardless of actual operating costs, and Landlord pays all actual operating costs
 - Landlord incentivized to save operating costs
 - party who pays for the improvement should reap the rewards
 - Model Gross Lease really uses a modified gross lease, with a base year or expense stop, so effect isn't all that different
- Brevity, very pro-landlord
- Potential FASB effect on gross leases?
- Available for purchase at www.squarefootage.net



GREEN LEASE REVOLUTION

WHERE'S THE MONEY?

GREEN FIT-OUT & WORKER PRODUCTIVITY

REAL WORLD BUILDING PERFORMANCE STANDARDS

REDUCE ENERGY USE 30% TO 50%

CONCLUSION (WELL, ALMOST)

- Multiplicity of tongues indicates that *there is no one universal truth*
- Still evolving standards, still evolving expectations
 - Evolving emphasis on prospective *operations* and not merely design and construction issues
- *Any approach should be customized to individual building and interests of the parties*
 - Not all buildings are alike or can accommodate same standard, physically, legally or in the marketplace

THE ORIGINAL 800-LB GORILLA

Note absence (so far) of references to Federal role



- No Federal regulations apply to private sector buildings
- U.S. General Services Administration has aggressively tried to use its *market power as a tenant* to require sustainable buildings
 - LEED-NC Gold (for buildings it builds or renovates)
 - LEED-NC Silver (for buildings it leases), with some exceptions
 - ENERGY STAR requirements
 - Lots of green clauses in lease form
- Some States and municipalities have similar requirements

Tools & Best Practices for Implementing Green Leasing:

**General Services Administration
March 26, 2012**



**James Nobil
Alexandra Kosmides
Office of Leasing, GSA**

Tools & Best Practices for Implementing Green Leasing: General Services Administration

- Federal Laws, Executive Orders, and Policies Related to Sustainability
- Sustainability Reporting Requirements
- Green Lease Clauses
- Green Purchasing Plan
- Energy Star Requirement



Sustainable Federal Laws, Policies, and Executive Orders

Year	Federal Law / Policy / Executive Order
1998 E.O.	<u>E.O. 13101 – Greening the Government Through Waste Prevention Recycling and Federal Acquisition</u> * Requires agencies to comply with recovered materials and environmentally preferable purchasing criteria developed by EPA (subsequently revoked and re-stated in E.O. 13423)
2003 Policy	GSA requires LEED® certification for (federally owned) new construction * Requires agencies to apply sustainable design principles to the siting, design, and construction of facilities
2005 Law	<u>Energy Policy Act (EPACT)</u> * Public Law establishes new energy + performance standards for federal buildings * Defines how sustainable design principles should be applied to federal buildings
2006 Policy	<u>Federal Leadership in High Performance and Sustainable Buildings MOU</u> * Commits agencies to design, locate, construct, maintain, and operate facilities to meet high performance goals * Establishes “Guiding Principles” for integrated design, energy performance, water conservation, environmental quality, and material selection
2007 E.O.	<u>E.O. 13423 – Strengthening Federal Environmental, Energy, & Transportation Performance</u> * Requires compliance with “Guiding Principles” related to sustainable goals
2007 Law	<u>Energy Independence and Security Act (EISA)</u> * Public Law intended to reduce federal energy consumption by requiring energy efficiency upgrades
2009 E.O.	<u>E.O. 13514 – Federal Leadership in Environmental, Energy, and Economic Performance</u> * Requires federal agencies to set/achieve multiple sustainability goals
2010 Law	<u>Energy Star®/EISA Statute RSL : 2010-02</u> * Requires Energy Star® label OR cost effective, energy efficiency upgrades

**Multiple
Federal Laws,
Policies, and
Executive
Orders issued
over the past
10+ years
relate to
Sustainability**

Guiding Principles Closely Align with LEED Rating Categories



Guiding Principles

Integrated Design

**Optimize Energy
Performance**

Protect /Conserve Water

**Enhance Indoor
Environmental Quality**

**Reduce Environmental
Impact of Materials**

Siting – Possible 6th G P

LEED Rating Categories



Encourage Integrated Design

Energy & Atmosphere

Water Efficiency

Indoor Environmental Quality

Materials & Resources

Sustainable Sites

Office of Leasing: Key External & Internal Green Measures

Guiding Principle Compliance Per Executive Order on Sust.



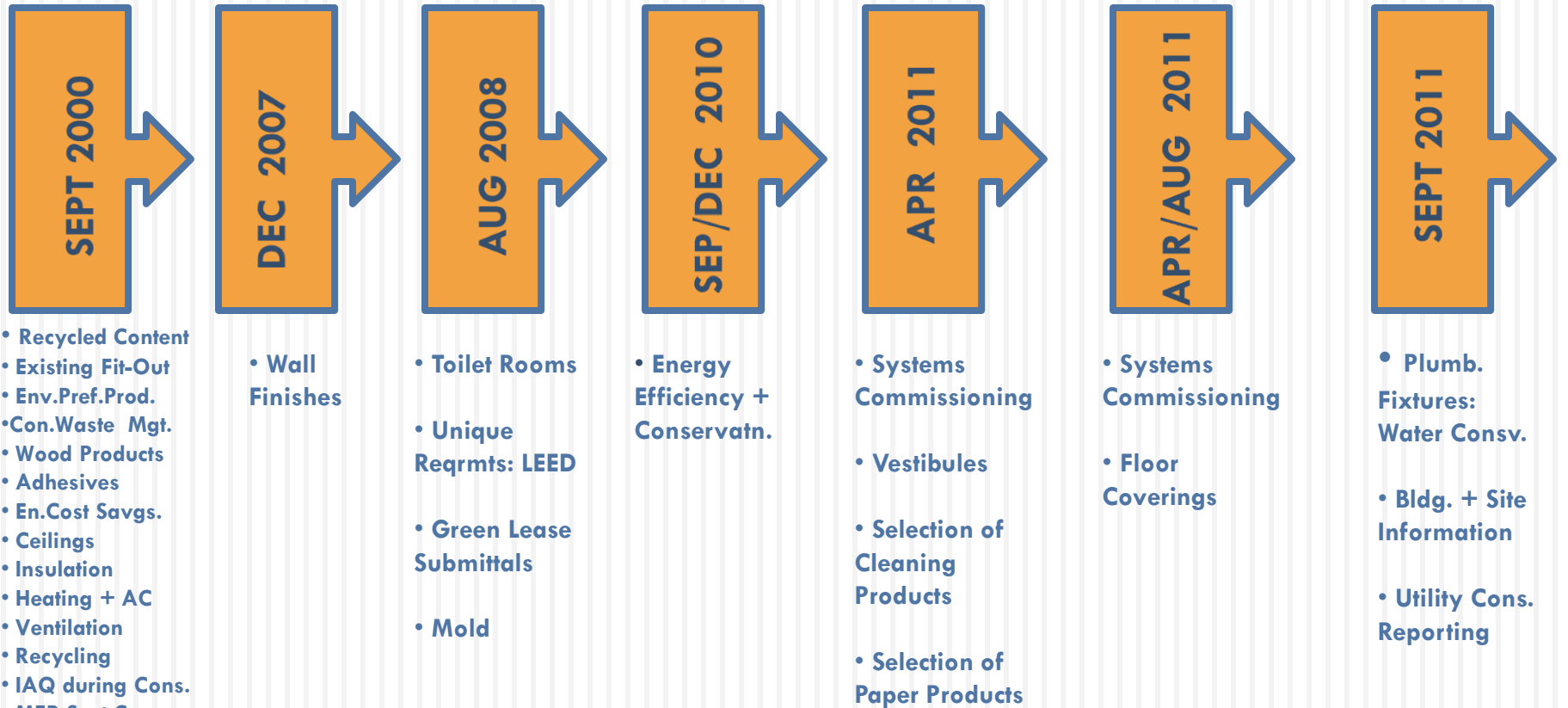
- External Measure reported to OMB/CEQ
- Tracks LEED/ Green Globes and Green Lease Clauses
- Reported Quarterly
- Counts ALL Leases - - Cumulative number
- Size threshold : > 5,000 s.f.
- Targets :
 - FY 2010 = 5% of Leased Assets
 - FY 2011 = 7% of Leased Assets
 - FY 2012 = 10% of Leased Assets
 - FY 2013 = 13% of Leases Assets

GSA Program Measure – Energy Star



- Internal Measure Reported to GSA Administrator and PBS Commissioner; Part of Quarterly KPI's
- Tracks leases signed in Energy Star labelled space (with ≥ 75 score)
- Reported Bi-Annually
- Counts leases of all sizes
- Tracks the Cumulative and Current Quarter's number of leases located in Energy Star rated space (and associated # of buildings and leased rsf)

Timing of Green Lease Clauses



Many Green Clauses Have Been in Effect for Over a Decade

Green Clauses per Each Lease Model



**Standard Lease
38 Green Clauses**

**Streamlined Lease:
36 Green Clauses**

**Succeeding/Superseding
and Simplified Lease:
32 Green Clauses**

**TI – SFO: 24-32
Green Clauses**

Green Clauses Required Within Lease Sections: Standard Lease Model

L
E
A
S
E

CONSTRUCTION STANDARDS + SHELL COMPONENTS

TENANT IMPROVEMENTS

UTILITIES, SERVICES, OBLIGATIONS DURING LEASE TERM

- Heating & Air Conditioning
- Janitorial Services
- Selection of Cleaning Products
- Selection of Paper Products
- Landscaping
- Recycling
- Indoor Air Quality
- Mold
- Utility Consumption Reporting

- Doors:
Hardware
- Wall Finishes
- Painting
- Floor
Coverings
- Heating & Air
Conditioning
- Lighting:
Interior +
Parking

- Recycled Content Products
- Env. Preferable Bldg. Products
- Existing Fit-Out, Salvaged Mtrl
- Construction Waste Mgmt.
- Wood Products
- Adhesives & Sealants
- Vestibules
- E I S A
- Ceilings
- Insulation: Thermal, Acoustic
- Painting
- Toilet Rooms
- Ventilation
- Lighting: Interior + Parking
- Energy Effic. for New Constrc.
- L E E D
- Indoor Air Qual. During Const.
- Systems Commissioning
- Plumb.Fixtrs.: Water Consvrtn.
- Green Lease Submittals

Lease Language Modifications

Recent

- ❑ Optional → Mandatory Clauses
 - Wall Finishes, MEP, Toilet Rooms, Carpeting
 - Added IAQ and EPP
- ❑ Modified specs related to :
 - Plug Load (7 to 4 watts per s.f.)
 - Utility Reporting by Lessor, Upon Request
 - Water Sense (minimum requirement)

Near-Term

- ❑ Evaluate Modifying Interior Design Finishes (Paints & Coatings, Resilient Flooring, Suspended Ceilings, Wallcovering)

Mid -Term

- ❑ Modify Lighting Specs
- ❑ Evaluate ASHRAE 189 applicability
- ❑ Evaluate current/new P100 standards
- ❑ LEED 2012 changes to NC / EB / CI
- ❑ New Proposed Guiding Principles

[Consider: Impact on Rents; Reduced Competition; Product Availability; Lease Cycle Time]

Green Purchasing Plan

GSA Green Purchasing Plan (GPP)

- ❑ Incorporates all Federal green purchasing requirements in one place
- ❑ Office of Leasing is meeting the intent of GPP goals by incorporating sustainability provisions in the leasing program
- ❑ There are over 40 green clauses in GSA's Standard lease document related to the sustainable build-out and operation of tenant spaces

Green Products Addressed in Lease Documents:

- ** CPG – Comprehensive Procurement Guidelines
- ** Bio-Based and Bio-Preferred
- ** EPP – Environmentally Preferred Products
- ** EPA Designated Energy Star Products
- ** EPA Water Sense Products

Energy Star® Requirement

Building must have earned the Energy Star® label within 12 months prior to Best and Final Offer

Energy Star Exceptions:

- ❑ No Energy Star® Space is Offered
- ❑ Agency is Remaining in a Building it Previously Occupied
- ❑ Agency Leases Historic or Architecturally/Culturally Significant Space
- ❑ Lease is for 10,000 Rentable Square Feet or Less

Energy Star® Revised Language

- Allows up to 18 months to achieve Energy Star® label for buildings with $\geq 50\%$ vacancy.
- Offeror must produce specified evidence of a capability to achieve an Energy Star® label.
- If offeror uses EPA's Target Finder tool, they must provide a Statement of Energy Design Intent (SEDI) reflecting a score of ≥ 75 .
- Offeror must also get a Designed to Earn the Energy Star certification.

Cost Effective Energy Efficiency & Conservation Improvements Required under Energy Star® Exceptions

If Exceptions Apply, in Lieu of the Energy Star®, the Lessor Must Make Cost-Effective Energy Efficient Upgrades Over the Firm Term of the Lease.

Examples of Cost Effective Energy Efficiency & Conservation Improvements:

- Heating, Ventilating, and Air Conditioning (HVAC) Including:
 - Building Automation Systems (BAS)/Energy
 - Monitoring/Management Control Systems (EMCS)
- Lighting Improvements
- Building Envelope Modifications
- Chilled Water, Hot Water, and Steam Distribution Systems
- Renewable Energy Systems
- Water and Sewer Conservation Systems
- Electrical Peak Shaving/Load Shifting
- Energy Usage Reduction Through Changes in Metering
- Energy Related Process Improvements



Energy Star® Challenges

- **Occupancy Issues for high security tenants**
- **Limited Supply: 6,075 ES office buildings in U.S.**
- **Restricts Competition**
- **Impacts Rents Unfavorably**
- **Complex Requirement to Administer**

Questions

Webinar recording and presentation will be posted on the CBEA webinar archive page at:

http://www1.eere.energy.gov/buildings/alliances/webinar_archives.html