

# GREEN LEASING TASK GROUP

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Recommendations and development of model  
commercial leasing provisions

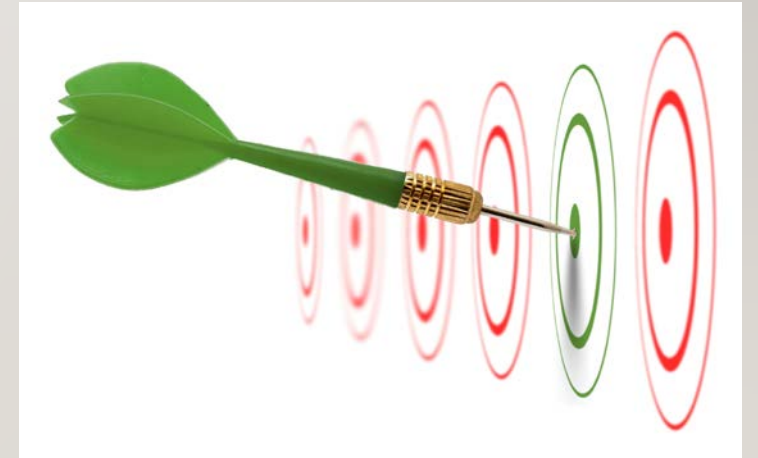
November 17th, 2016

Victor Olgyay, RMI

# GOALS & PRODUCTS

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- **Recommend model commercial leasing provisions**
  - Meet Energy Efficiency Improvement Act of 2015
  - Encourage leasing marketplace to supply greener buildings
- **Submit “Advice Letter” to GSA**
  - Amend 2015-MG-04 Model Commercial Leasing Provisions
  - Apply nationwide



# APPROACH

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- Clear, simple, useful, enforceable, practical, implementable, cost-effective, and broadly applicable.
- Align interests of building owners and tenants
  - Encourage buildings owners and tenants to collaborate
  - Accelerate Zero Net Energy and other highly efficient buildings development and leasing
- Encourage adoption of GSA relevant sustainability goals in commercial buildings
- Carefully created by the GLTG and shared with over 20 industry players for input and review.
- Integrated with emerging EPA TenantStar effort and many parallel efforts (listed in the ‘Resources ‘ section)



# ALIGN BENEFITS OF GREEN LEASES

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Potential Benefits to Tenants	Potential Benefits to Landlords
<ul style="list-style-type: none"><li>• Lower energy, water and operating costs</li><li>• Providing a healthier, more productive workplace</li><li>• Supporting corporate sustainability goals</li><li>• Demonstrating environmental responsibility to employees and the community</li></ul>	<ul style="list-style-type: none"><li>• Increasing transparency, building trust with tenants, reducing turnover</li><li>• Reducing vacancy</li><li>• Faster lease-up</li><li>• Enhancing marketability of the building</li><li>• Lower operating costs which can improve building financial performance/Net Operating Income (NOI)</li></ul>

# POTENTIAL IMPACT

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- Reduce energy consumption by 11-22%
- Lower US utility expenditures  $\leq \$0.51/\text{ft}^2$
- Provide leased US office market \$1.7B-\$3.3B annual cost savings.
- Effectiveness determined by lease adoption rate.

## Annual Potential Commercial Sector Carbon Savings

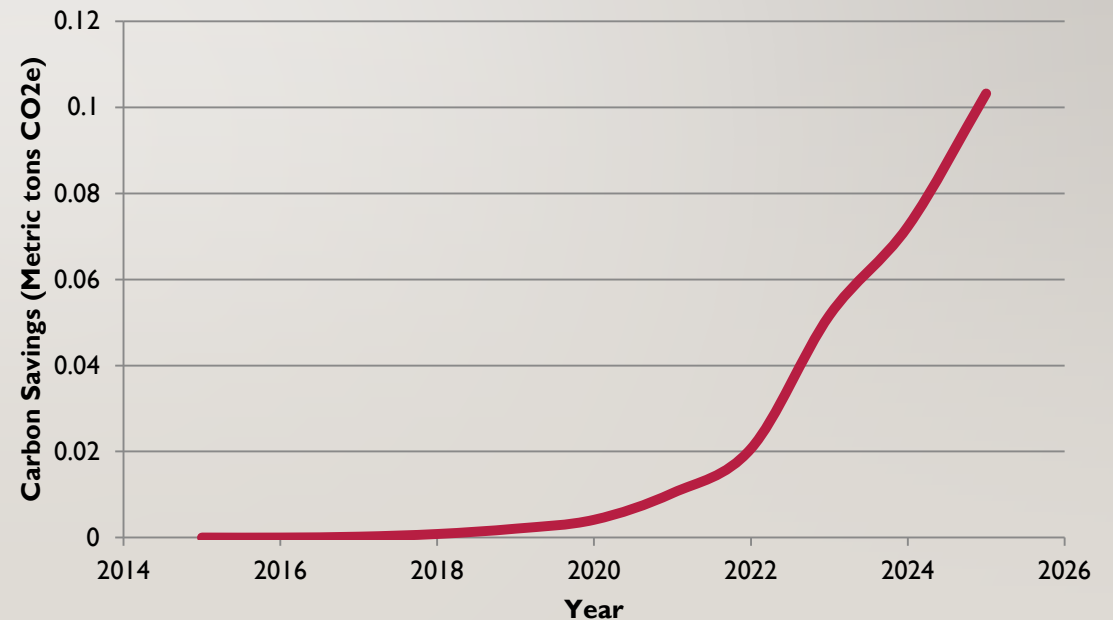


Chart based on RMI internal analysis, 2016

# GREEN LEASING TASK GROUP PROCESS 2016

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FEBRUARY

GREEN LEASING TASK GROUP FORMED

MARCH – APRIL

WEEKLY MEETINGS OF THE GLTG

APRIL 28 2016

PRESENTATION TO GBAC

JUNE – AUGUST

FURTHER DEVELOP OF FRAMEWORK

SEPTEMBER

REVIEW BY KEY COMMERCIAL LEASING CONTACTS

OCTOBER

INCORPORATE CONCEPTS INTO LEASE TEMPLATE

NOVEMBER 17 2016

FINAL RECOMMENDATIONS WITH GBAC

# GREEN LEASE GUIDANCE DOCUMENT - OVERVIEW

## 0. Introduction, value, how to use

### Summary Matrix: 3 tiers of performance

- Simple lease, Standard Lease and Superstar Lease
- Green highlighted cells indicate high priority criteria
- 5 categories of criteria:
  1. Shared savings and commitments
  2. Energy usage and greenhouse gas emissions management
  3. Water usage and landscape management
  4. Indoor environmental quality management and operations
  5. Transportation
- 6. Sample lease clauses
- 7. Resources (links to other green lease info)

		Simple Lease	Standard Lease	Superstar Lease
		Partial floor leases or tertiary markets, Class A, B and C	Most common leases, major and secondary markets, Class A and B, full floor tenants.	Highly ambitious tenants/landlords, innovative applications
<b>Shared savings and commitments</b>	S1a			
<b>Energy usage and greenhouse gas emissions management</b>	E1a			
<b>Water usage and landscape management</b>	W1a			
<b>Indoor environmental quality management, and operations:</b>	Q1a			
<b>Transportation</b>	T1a			

# GREEN LEASE GUIDANCE DOCUMENT

## 0. INTRODUCTION

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- *Purpose: Advance effective green building practices among commercial office landlords as well as public, private and non-governmental organization sector tenants.*
- *Ultimate goal is to increase the supply of green office buildings for GSA and other tenants to lease.*
- *Strictly voluntary*
- *3 tiers of performance*
  - *Simple criteria - widely attainable, small tenants, partial floor leases, tertiary markets.*
  - *Standard criteria – applicable to most leases across US, major and secondary markets in class A and B buildings*
  - *Superstar criteria - well beyond standard practice, the most innovative and advanced*
- *Pick and choose individual levels of each criteria – not a one size fits all*
- *Value to both tenant and landlord parties*
- *Suggestions on how this material can be applied*



# GREEN LEASE GUIDANCE DOCUMENT – I. SHARED SAVINGS

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		<b>Simple Lease</b>		<b>Standard Lease</b>		<b>Superstar Lease</b>
		Partial floor leases or tertiary markets, Class A, B and C		Most common leases, major and secondary markets, Class A and B, full floor tenants.		Highly ambitious tenants/landlords, innovative applications
<b>Shared savings and commitments</b>	<b>S1a</b>	Conduct regular meetings between landlords and tenants to discuss efficiency opportunities and annual reporting	<b>S1b</b>	Include clause for landlord cost recovery for efficiency related capital improvements	<b>S1c</b>	Identify and implement all efficiency measures deemed cost effective (with “cost-effective” being defined as a payback period within the tenant’s current lease term or some other period of time that is mutually acceptable). <sup>2</sup>

# GREEN LEASE GUIDANCE DOCUMENT –

## 2. ENERGY USAGE AND GHG EMISSIONS MGMT.

		Simple Lease		Standard Lease		Superstar Lease
<b>Energy usage and greenhouse gas emissions management</b>	E1a	Achieve and maintain during the lease term ENERGY STAR labeling for the building (a score of 75 or higher)	E1b	Comply with E1a and provide periodic <u>recommissioning</u> thereafter (e.g. Every 3 years)	E1c	Aspire to net zero energy
	E2a	Install Lighting Power Density (LPD) to comply with ASHRAE 90.1 2013 standard <sup>3</sup> , at a minimum	E2b	Comply with E2a <u>and</u> add lighting controls to adjust to occupancy/vacancy and take full advantage of daylight.	E2c	n/a
	E3a	Share whole building or tenant space energy use <sup>4</sup> (either actual or estimated)	E3b	Comply with E3a <u>and</u> sub meter electricity use per tenant	E3c	Comply with E3a, b <u>and</u> sub meter energy use for major energy end uses (e.g. heating, cooling, lighting, plug loads).
	E4a	Use ENERGY STAR certified equipment for all copiers and printers, with space heaters banned.	E4b	Comply with E4a <u>and</u> set and maintain automatic controls (night setbacks, sleep modes) for office equipment	E4c	Comply with E4a and b, <u>and</u> provide ENERGY STAR certified equipment for all central HVAC equipment, computers, monitors, displays and appliances
	E5a	Tenant plug load demand as required in the lease is limited to 3.5 watts/SF (i.e. the wattage available for equipment that is literally plugged into the electrical sockets ) <sup>5</sup>	E5b	Tenant plug load demand as required in the lease is limited to 2.5 watts/SF	E5c	Tenant plug load demand as required in the lease is limited to 1.5 watts/SF
	E6a	n/a	E6b	Green power purchasing or Renewable Energy Credits (RECs) for 50% of tenant or whole building energy use	E6c	Green power purchasing or Renewable Energy Credits (RECs) to offset 100% of tenant or whole building energy use

# GREEN LEASE GUIDANCE DOCUMENT – 3. WATER USAGE AND LANDSCAPE MGMT.

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		Simple Lease		Standard Lease		Superstar Lease
<b>Water usage and landscape management</b>	W1a	Use Water Sense fixtures for common area fixtures (or verify flow rates comply)	W1b	Comply with W1a <u>and</u> use Water Sense fixtures for tenant space fixtures (or verify flow rates comply)	W1c	Comply with W1a and b.
	W2a	Share whole building or tenant space water use (either actual or estimated) <sup>6</sup>	W2b	Comply with W2a <u>and</u> separately sub-meter indoor from outdoor water use	W2c	Comply with W2a and b.
	W3a	Use climate appropriate native and/or adapted landscape vegetation (where appropriate)	W3b	Comply with W3a <u>and</u> , where irrigation is provided, use smart irrigation controller systems, with <u>hydrozoning</u> of areas of plants designated to be irrigated	W3c	Comply with W3a and b, <u>and</u> eliminate potable water use for irrigation

# GREEN LEASE GUIDANCE DOCUMENT –

## 4. IEQ MANAGEMENT AND OPERATIONS

		Simple Lease		Standard Lease		Superstar Lease
<b>Indoor environmental quality management, and operations:</b>	Q1a	Use low-emitting building products that are third party certified.  Tenant/landlord to provide product content information to the other party.	Q1b	Comply with Q1a and use 50% low-emitting furniture that is third party certified.  Tenant/landlord to provide product content information to the other party.	Q1c	Comply with Q1a and 95% low-emitting furniture that is third party certified.  Tenant/landlord to provide product content information to the other party.
	Q2a	Provide individually controlled, efficient task lighting. (i.e. LED)	Q2b	Comply with Q2a and provide adequate spaces for occupant use that provide acoustical control and privacy	Q2c	Comply with Q2a and b and provide individual thermal comfort control.
	Q3a	Regularly scheduled filter replacement (min. 4x/yr); minimum of MERV <sup>7</sup> 8 filters and ASHRAE 170 for healthcare settings.	Q3b	Regularly scheduled filter replacement (min. 2x/yr); minimum of MERV 11 particulate filters and ASHRAE 170 for healthcare settings.	Q3c	Comply with Q3a and b, <u>and</u> provide at least 10% clean air distribution rate above ASHRAE 62.1 or equivalent using the ASHRE 62.1 IAQP and ASHRAE 170 for healthcare settings.
	Q4a	Implement a green cleaning program and include training for cleaning/facilities staff	Q4b	Comply with Q4a	Q4c	Comply with Q4a <u>and</u> include product content information.
	Q5a	Implement a waste management plan, including recycling. Include training for occupants and cleaning/facilities staff	Q5b	Comply with Q4b <u>and</u> implement a periodic electronics recycling event/plan	Q54c	Comply with Q5a, b <u>and</u> implement a waste management plan including composting
	Q6a	Develop an Integrated Pest Management Plan	Q5b	Comply with Q5a	Q5c	Comply with Q5a

# GREEN LEASE GUIDANCE DOCUMENT –

## 5. TRANSPORTATION

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		Simple Lease		Standard Lease		Superstar Lease
<b>Transportation</b>	T1a	Landlord provides a building-wide transportation management plan (TMP)	T1b	Comply with T1a and landlord and tenant work together to implement at least one alternative transportation solution (see Sample Clauses below for options)	T1c	Comply with T1a and landlord and tenant work together to implement three alternative transportation solutions (see Sample Clauses below for options)

# GREEN LEASE GUIDANCE DOCUMENT –

## 6. SAMPLE GREEN LEASE CLAUSES

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- Each category has industry vetted language that can be inserted directly into leases
- Detailed footnotes provide notes on the importance, industry research and additional resources

### Energy usage and greenhouse gas emissions management

#### E1a: Achieve and maintain ENERGY STAR labeling for the building

The building must be ENERGY STAR labeled by achieving an ENERGY STAR rating of 75 and ENERGY STAR certification must be maintained for the duration of the lease term:

- In buildings where an ENERGY STAR rating cannot be obtained (i.e. because the building is too new to have a sufficient operating history to generate the requisite data or because the building's vacancy exceeds the vacancy allowed for an ENERGY STAR label), a lease may include the provision that the landlord has one year after the building reaches the requisite threshold in operating history and/or occupancy to achieve the ENERGY STAR label. In general, any building over 5,000 ~~gsf~~ with a year of utility bills can get an ENERGY STAR score ([exceptions and details](#)).
- If an ENERGY STAR rating is not available for the reasons identified above, the landlord must show it has implemented all cost-effective energy upgrades.
- Tenant shall collaborate with landlord to incorporate efficiency into energy-using equipment, e.g., by using ENERGY STAR-labeled equipment, and optimize its operating schedules, e.g., by not operating during non-standard business hours without paying the incremental cost.

Alternate: In the initial lease, where no previous energy use data is available, the parties shall construct an estimate of potential future energy usage by the tenant using such principles and data as can be agreed upon. Upon the accrual of a sufficient number of years of energy use data for the structure, the Parties/Landlord shall themselves or through a third party conduct an overall energy assessment based on the usage history to determine overall usage rates, trends, time sensitive of usage patterns (if metered to that level), and other relevant data. The Parties will then meet to review the usage data and identify patterns and trends, and compare the results to the original projected usage projections. The parties will then discuss any lease modifications or other energy related modifications/changes to the premises that may be suggested from or supported by the data, towards an overall review of the level of energy and cost savings relevant to the original lease rates for the property.

# GREEN LEASE GUIDANCE DOCUMENT –

## 7.ADDITIONAL RESOURCES

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- Additional information on third party emissions standards for low emitting materials
- List of 18 other related resources
  - Better Buildings Partnership
  - BOMA Guide to Sustainable and Energy Efficient Leasing for High-Performance Buildings (BOMA Green Lease Guide)
  - Boston Bar Association Green Lease Guide
  - California Sustainability Alliance Lease Provisions
  - Green Globes®
  - Green Lease Library
  - GSA Lease
  - IMT Green Lease Impact Study
  - LEED®
  - New York University Green Leasing Guide
  - NYC Energy Aligned Clause
  - Pennsylvania Lease Specs
  - REALPac Green Lease Guide
  - Sydney Better Buildings
  - Tenant Star
  - Tower Companies Green Lease Implementation Model
  - WELL Building Standard
  - Working Together for Sustainability: The RMI-BOMA Guide for Landlords and Tenants

# GREEN BUILDING ADVISORY COMMITTEE (GBAC) GREEN LEASING TASK GROUP (GLTG) MEMBERS AND DESIGNEES

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- Charlene Bayer, Hygieia Sciences LLC (Co-chair)
- Victor Olgay, Rocky Mountain Institute (Co-chair)
- Amy Costello, Armstrong World Industries
- Jonathan Herz, Department of Health and Human Services
- Greg Kats, Capital E
- Jane Rohde, JSR Associates
- Drake Wauters, AIA Technical Design for Building Performance

## **GSA & Contractor Attendees**

- Ken Sandler, Designated Federal Officer (OFHPGB)
- Phyllis Carr, GSA Public Buildings Service (PBS)
- Kevin Funk, GSA Office of Government-wide Policy (OGP)
- Donald Horn, OFHPGB
- Kevin Kampschroer, Chief Sustainability Officer and Director, OFHPGB
- Alexandra Kosmides, GSA PBS Office of Leasing
- Ken Schelbert, GSA PBS Office of Leasing
- Alexandra Kosmides, GSA PBS Office of Leasing
- Kathy Nguyen, Noblis
- Gus Nielsen, Noblis

- Ken Schelbert, GSA PBS Office of Leasing
- Robin Snyder, GSA PBS

## **Observers**

- Alysson Blackwelder, U.S. Green Building Council
- Jeff Bradley, American Wood Council
- Cassandra Duncan, U.S. Department of the Interior
- Andrew Feierman, Institute for Market Transformation
- Jenna Hamilton, GBI
- Michael Hetchkop, Cresa
- Cara Carmichael, Rocky Mountain Institute
- Robert Klipfel, DHS
- Jessica Long, JBG Companies
- Laurie McMahon, Cushman Wakefield
- Sonya Reinhardt, PwC
- Adam Sledd, Institute for Market Transformation
- Steve Teitelbaum, Washington Metropolitan Area Transit Authority
- Doug Wheeler, LMI
- Vicki Worden, GBI



# INDUSTRY REVIEWERS

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- Henry Chamberlain, BOMA
- Duane Desiderio, Real Estate Roundtable
- Jeanette Flory, Bentall Kennedy
- John Forester, The RMR Group
- Charlotte Matthews, Related
- Jason McIntyre, USAA Real Estate Company
- Emily Naden, BOMA International
- Robert Scott, Indiana Bureau of Motor Vehicles
- Kurt Stout, Colliers
- Brenna Walraven, Corporate Sustainability Strategies

# GROUP DISCUSSION – SCALING AND NEXT STEPS

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- Questions or suggestions?
- To increase impact, how can we (GSA and GBAC) encourage broad distribution? For example, can we get this in the hands of the many small to mid-sized tenants who are not likely as versed in sustainability but who may benefit from it most
- How can we encourage adoption by leasing brokers and agents?
- How should we leverage the powerful network of key industry stakeholders established through this work? i.e. direct integration into portfolios? Outreach and conference presentations? Ongoing engagement with Tenant Star or other efforts?

# APPENDIX

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# DRIVERS

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## **Committee 10/28/15 Motion:**

- “Create a task group to provide recommendations to improve Federal government leasing language and requirements regarding NZE [net zero energy] and other sustainability goals.”

## **Alignment with standards**

- Guiding Principles, Rating systems, etc.

## **Energy Efficiency Improvement Act (EEIA) of 2015**

- Requires GSA to develop model commercial leasing provisions
- Allows GSA to use modeling leasing provisions
- Requires EPA to develop Tenant Star program within Energy Star

# POTENTIAL IMPACT

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## Annual Potential Commercial Sector Carbon Savings

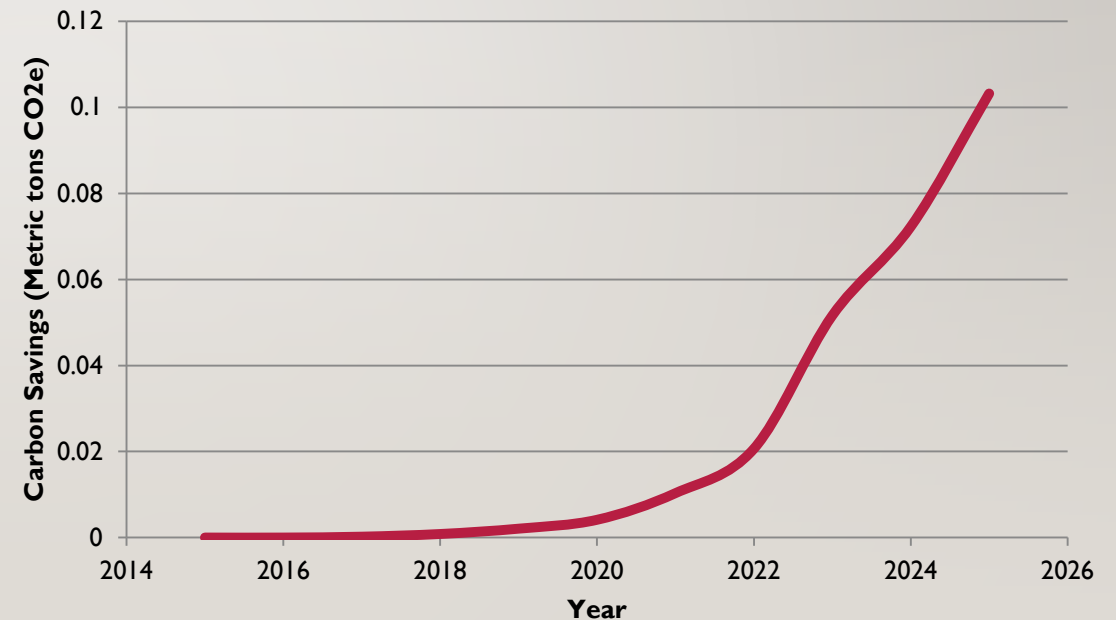


Chart based on RMI internal analysis, 2016

# GSA LEASED INVENTORY

Number of Leases	8,483
Number of Buildings	6,892
Leased Rentable Square Feet	195.27 Million rsf
Average Size Lease	23,019 rsf
Median Size Lease	8,088 rsf
Median Rent	\$24.20
Geographic Distribution of Leases**	49% in Large Towns (Pop = 500K +)      12% in Mid-Sized Towns (Pop. = 200 – 499K) 39% in Small Towns (Pop.<200K)
Percentage of Government Tenancy Within Leased Building	In 23% of (#) Leases, GSA = 95–100% Tenant In 16% of (#) Leases, GSA = 26-94% Tenant In 61% of (#) Leases, GSA = <25% Tenant