

Green Leasing Deployment Portfolio

2014 Building Technologies Office Peer Review



Project Summary

Timeline:

Start date: January 2013

Planned end date: December 2014

Key Milestones

1. First Steering Committee Meeting - July 2013
2. Launch of Green Lease Leaders – January 2014
3. Recognition Ceremony - May 2014
4. Inaugural Tenant Engagement Pilot Conference Call - Spring/Summer 2014
5. Green Leasing Tools and Resources - Summer, 2014

Target Market/Audience:

Commercial real estate landlords, tenants, and brokers

Project Goal:

The goal of this project is to define and encourage the adoption of green leasing in commercial real estate by providing tools and resources and recognizing success

Budget:

Total DOE \$ to date: \$97,000

Total future DOE \$: \$63,000

Key Partners

- Avison Young
- Beacon Capital
- Brandywine
- Building Owners and Managers Association (BOMA)
- Cassidy Turley
- CB Richard Ellis
- City of Boulder, CO
- Colliers International
- Cushman and Wakefield
- Institute for Market Transformation
- Kalikow Group
- Kimco Realty
- Liberty Property Trust
- National Real Estate Investor
- Newmark Grubb Knight Frank
- PricewaterhouseCoopers
- Retail Industry Leaders Association
- Sharpe Properties
- Studley
- The CoStar Group

Purpose and Objectives

Problem Statement: Green leasing is a solution aimed at the split-incentive market barrier, which occurs when energy-cost savings from an investment accrue to a party that did not fund the project. This barrier has limited commercial real estate owners' interest in energy efficiency investments, because savings are passed on to tenants. With more than 12 billion square feet of leasable space in the market, this barrier has a large impact on commercial building energy performance.



With increasing pressure from policymakers as well as internal organizational sustainability commitments to improve operational performance and design efficiency, many real estate organizations are examining the role of leased space in contributing to energy performance improvement and the triple bottom line. This includes a focus on green leasing as a potentially powerful mechanism to improve the energy performance of existing commercial buildings.

Purpose and Objectives (cont'd)

Target Market and Audience: The commercial real estate market represents over 12 billion square feet and approximately 36% of the US energy consumption. This initiative engages stakeholders from all aspects of lease negotiations, namely tenants, landlords, and brokers.



Purpose and Objectives (cont'd)

Planned Contribution to Energy Efficiency: The goal is to set standards for green leasing, demonstrate its value, and expedite the adoption of green lease clauses. By providing tools and resources that make green lease terms clear, consistent, and equitable, and by recognizing success, the program strives to stimulate energy efficiency investments through this mechanism. The desired long-term outcome is for green-lease language to be incorporated widely into leasing transactions, expanding norms for commercial lease terms such that energy-alignment features become commonplace in the industry.

In the near term, the success of this initiative is measured by the number of applicants and those that express an interest to learn more about the Green Lease Leaders program. The immediate focus is to increase Green Lease Leaders applications and the number of organizations using energy-aligned clauses in standard lease forms.

Approach



GREEN LEASE
LIBRARY



History: In 2011, DOE’s Better Buildings Alliance (BBA) program partnered with the Institute for Market Transformation (IMT) and other industry stakeholders to develop the Green Lease Library, the leading collection of green leasing resources on the web. However, the Library lacked a uniform standard for what defined a green lease and wasn’t driving the adoption of green leasing as anticipated. The BBA again partnered with IMT in 2013 to pull together a steering committee of 20+ industry experts to help define the problem, understand the key market players, identify a method to modify behavior and affect change (a recognition program), and develop tools and resources that are widely applicable for the industry.

Approach (cont'd)

Key Issues and Initial Actions:

- The project needed a standard definition of what constitutes a green lease. Without such a standard, the industry has no consistent way to structure lease terms.
- The initiative needed a visible symbol or mark. The Green Lease Leaders seal lets an organization signal its willingness to engage in green leasing, making it easier for tenants and landlords committed to sustainability to find each other and drive demand.
- The project needed a recognition element. This reinforces the value of the Leaders mark and rewards early adopters.
- The industry advisory board identified a need for tools such as talking points and fact sheets that demonstrate green leasing's value.

Approach (cont'd)

Distinctive Characteristics:



1. **Informed by Industry Professionals:** The DOE/IMT engaged more than 20 industry experts that represent leading landlords, tenants and brokers to inform this initiative and provide feedback on program and content development.



2. **Wide Industry Support:** Green Lease Leaders has been promoted and supported by industry organizations and publications such as RILA, BOMA, CoStar, SIOR, NAREIT, NREI, IREM, RER, and ICSC. It is also the only green leasing recognition program and DOE's involvement provides credibility and legitimacy.



3. **Broker Engagement:** As the primary conduit between tenants and landlords, brokers play a key role in real estate transactions. This program is the first that allows brokers to be recognized for their efforts in energy efficiency and sustainability.



Progress and Accomplishments

Discoveries:

- Many organizations don't know where to start. The DOE/IMT team identified tools and resources to help organizations get started on green leasing.
- Those with green leasing best practices don't talk about them.
- Tenant demand is critical to success. When tenants demand green provisions in a lease, landlords and brokers more willingly offer them.

Accomplishments:

- Successful launch of Green Lease Leaders on January 15, 2014.
- Featured in leading industry trade publications, including National Real Estate Investor .
- Wide industry support including the CEO of CoStar and industry associations such as BOMA, ICSC, IREM, and RILA.
- Planned recognition at the 2014 Better Buildings Summit in May 2014.
- Education session dedicated to green leasing at the 2014 BOMA Every Building Conference. Submitted proposals for Greenbuild and NAR REALTORS conference.

Progress and Accomplishments

Project Contribution to Energy Efficiency: Success will be measured in 2015, using as a metric the increase in applicants for Green Lease Leaders from 2014. The project has presented green leasing as a concept and the Green Lease Leaders program to hundreds of real estate practitioners through direct outreach (BOMA Winter Business Meeting, SIOR Fall Conference, Better Buildings Alliance project team calls, Tri-State Sustainability Symposium, Real Estate Roundtable SPAC meeting) and coverage by media partners. The project team is helping organizations to apply in 2014, and also expects to support those ineligible in 2014 to apply in 2015.

Awards/Recognition: The first class of Green Lease Leaders will be officially announced at the Better Buildings Summit, May 7th – 9th in Washington, DC. A press release from DOE and IMT will be provided to media partners for distribution, and industry association partners including CoStar and BOMA will recognize winners through their promotional channels.



Project Integration and Collaboration

Project Integration: This initiative is led by the Institute for Market Transformation (IMT) who administers the Green Lease Leaders program. The Better Buildings Alliance helped to engage more than 20 industry experts to serve on a steering committee that helped to develop the program.

Partners, Subcontractors, and Collaborators: DOE collaborated with IMT, a trusted policy advisor, to lead the program. JDM Associates, a commercial real estate and program design expert, provided support to DOE. JDM is a subcontractor to ICF International, under contract to support DOE's Better Buildings Alliance program. The IMT/DOE team sought input from a steering committee of more than 20 industry professionals representing influential tenants, landlords and brokers.



Project Integration and Collaboration

Communications:

- Built upon successful greenleaselibrary.com to create a dedicated website (www.greenleaseleaders.com) that is administered by IMT.
- Media coverage by National Real Estate Investor Online, Energy Manager Today, and Environmental Building News.
- Promotion and coverage from industry groups such as BOMA, RILA, ICSC, CoStar, and IREM.
- Presented at the Society of Industrial and Office Realtors (SIOR) conference on October 27, 2014 and Cushman & Wakefield Americas Symposium on March 17, 2014
- Informational webinar hosted by IMT on March 12, 2014
- Submitted session abstracts to national conferences for BOMA, National Associate of Realtors, and Greenbuild.
- Additional promotion on Twitter and at individual organizations by steering committee members including CBRE.

Next Steps and Future Plans

Next Steps and Future Plans:

- Green Lease Leaders Application deadline is April 22
 - IMT will review and select inaugural recipients
 - Inaugural class announced at Better Buildings Summit May 7-9, 2014
 - Develop a press release and work with media and industry partners to promote the winners



Next Steps and Future Plans (cont'd)

- Continue to pursue speaking opportunities to discuss green leasing:
 - BOMA Every Buildings Conference, June 22-24 in Orlando, FL
 - Greenbuild, October 22-24, New Orleans, LA
- Finalize and distribute green leasing tools and resources
- Launch a pilot tenant sector of the Better Buildings Alliance
- Continue to work with industry partners and leverage the DOE brand identity to promote and encourage green leasing and the Green Lease Leaders program
- Hand off program administration for Green Lease Leaders to IMT



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EXPO: OCT. 22-23 | CONFERENCE: OCT. 22-24
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U.S. DEPARTMENT OF
ENERGY | Energy Efficiency &
Renewable Energy

REFERENCE SLIDES

Project Budget

Project Budget: DOE has allocated \$160,000 to support green leasing activities, provided to contractors supporting the Better Buildings Alliance.

Variations: No significant variations to the budget have been experienced.

Cost to Date: \$97,000

Additional Funding: The budget presented is for DOE support to the project through subcontractors. Additionally, project partner IMT has contributed significant time and effort to lead the program.

Budget History

FY2013 (past)		FY2014 (current)		FY2015 (planned)	
DOE	Cost-share	DOE	Cost-share	DOE	Cost-share
\$48,000	n/a	\$84,000	n/a	\$28,000	n/a

Project Plan and Schedule

Project Schedule												
Project Start: January 2013	Completed Work											
Projected End: December 2014	Active Task (in progress work)											
	◆ Milestone/Deliverable (Originally Planned)											
	◆ Milestone/Deliverable (Actual)											
	FY2013				FY2014				FY2015			
Task	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q3 (Apr-Jun)	Q4 (Jul-Sep)	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q3 (Apr-Jun)	Q4 (Jul-Sep)	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q3 (Apr-Jun)	Q4 (Jul-Sep)
Past Work												
Develop Concept Brief	◆											
Host Inaugural Steering Committee Call	◆											
Develop Green Lease Leaders Project Plan	◆											
Finalize Green Lease Leaders Project Plan	◆											
Launch Green Lease Leaders Program	◆											
Current/Future Work												
Finalize Green Leasing tools and resources	◆											
Engage tenants/occupiers for tenant engagement pilot	◆											