



# **ISWG MEETING 3/28/13: GREEN LEASING UPDATE & DISCUSSION**

**OFFICE OF  
LEASING**

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March 28, 2013

# Green Leasing Update & Discussion

- Leased Inventory
- Green Leasing Requirements
- Recent/Pending Green Lease Modifications
- SSPP Targets and Green Leasing Measures
- Sustainability Priorities
- Tools/Resources/Contacts

# GSA Leased Inventory

<b>Number of Leases</b>	<b>8,845 (#)</b>
Number of Buildings	7,331 (#)
Leased Rentable Square Feet	196.57 Million rsf
Average Size Lease	22,470 rsf
Median Size Lease	7,896 rsf
Median Rent	\$23.88
Geographic Distribution of Leases	49% in Large Towns (Pop = 500K +) 12% in Mid-Sized Towns (Pop. = 250 – 499K) 39% in Small Towns (Pop.<250K)
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

As of Jan. 2013 REXUS Inventory  
RSF = Rentable Square Feet

# Leased Inventory Profile by % of Government Occupancy Within a Leased Building

## Full Building Occupancy (95-100%)



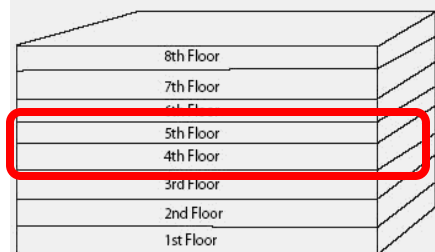
23% of Total # of Leases

2,024 out of 8,845 Leases

Median Size = 13,100 rsf

93% = Fully Serviced; 7% Net Util.

## Partial Occupancy/ Mid-Sized Tenant (26-94%)



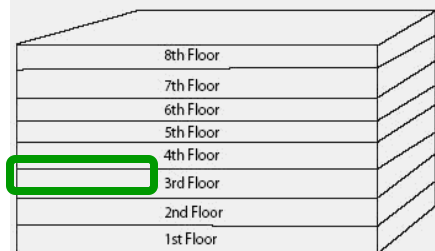
16% of Total # of Leases

1,406 out of 8,845 Leases

Median Size = 14,490 rsf

94% = Fully Serviced; 6% Net Util.

## Minority Tenant Occupancy (<= 25%)



61% of Total # of Leases

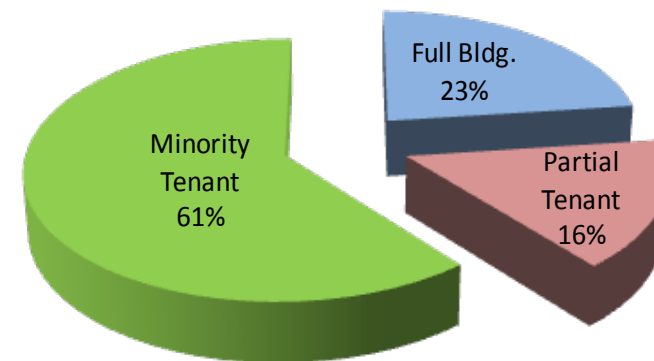
5,377 out of 8,845 Leases

Median Size = 5,138 rsf

95% = Fully Serviced; 5% Net Util.

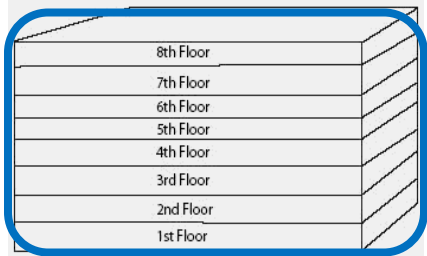
## Based on Number of LEASES

Occupancy%  
(Based on # of Leases)



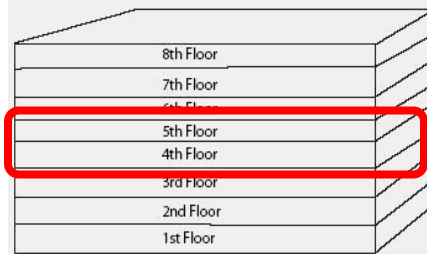
# Leased Inventory Profile by % of Government Occupancy Within a Leased Building

## Full Building Occupancy (95-100%)



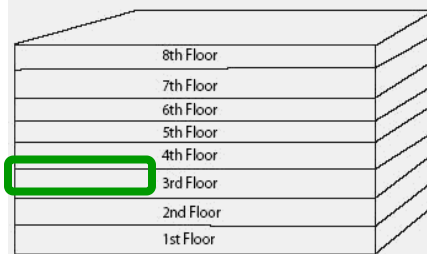
42% of Total RSF
82.66 out of 196.57 million RSF
Median Size = 13,100 rsf
83% = Fully Serviced; 17% Net Util.

## Partial Occupancy/ Mid-Sized Tenant (26-94%)



26% of Total # Total RSF
51.43 out of 196.57 million RSF
Median Size = 14,490 rsf
88% = Fully Serviced; 12% Net Util.

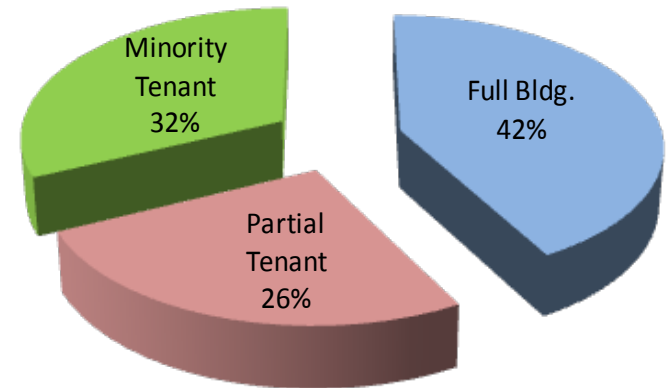
## Minority Tenant Occupancy (<= 25%)



32% of Total # of Total RSF
63.5 out of 196.57 million RSF
Median Size = 5,138 rsf
91% = Fully Serviced; 9% Net Util.

Based on RENTABLE  
SQUARE FEET

Occupancy%  
(Based on Leased RSF)



# 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, facilities
2005 Law	<u>Energy Policy Act (EPACT)</u> * Public Law establishes new energy + performance standards for federal * Defines how sustainable design principles should be applied to federal
2006 Policy	<u>Federal Leadership in High Performance and Sustainable Buildings MOU</u> * Commits agencies to design, locate, construct, maintain, and operate facilities * Establishes “Guiding Principles” for integrated design, energy performance, environmental quality, and material selection
2007 E.O.	<u>E.O. 13423 – Strengthening Federal Environmental, Energy, &amp; Transportation</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
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**

# History of Green Lease Paragraphs

Sept. 2000

- Recycled Content
- Existing Fit-Out
- Env. Pref. Prod.
- Con. Waste Mgt.
- Wood Products
- Adhesives
- Energy Cost Savgs.
- Ceilings
- Insulation
- Heating + AC
- Ventilation
- Recycling
- IAQ during Cons.
- MEP-Syst. Comsg
- Doors: Hardware
- Painting
- Carpet
- Janitorial Svcs.
- Landscaping
- Indoor Air Quality
- Lighting

Dec. 2007

- Wall Finishes

Aug. 2008

- Toilet Rooms
- Unique Reqrmts: LEED®
- Green Lease Submittals
- Mold

Sept./Dec.  
2010

- Energy Efficiency and Conservation

Apr./Aug.  
2011

- Systems Commissioning
- Vestibules
- Floor Coverings
- Selection of Cleaning Products
- Selection of Paper Products

Sept.  
2011

- Plumbing Fixtures: Water Conservation
- Bldg. + Site Information
- Utility Consumption Reporting

# Green Paragraphs in RLP and Lease Document

**40+ paragraphs: Full lease includes location paragraphs/proximity to transit and amenities, misc. tenant improvement green paragraphs**

**31–37: Standard, Streamlined, Succeeding/Superseding, Simplified Lease Models relate directly to Guiding Principles compliance**



# Green Paragraphs at Different Stages of a Lease

## Requirements Development

- EISA
- LEED
- Energy Efficiency & Conservation NC

## Lease Negotiation

- EISA
- Bldg. + Site Info
- Green Lease Submittals

## Tenant Improvement Build-Out

- Recycled Cont. Prod.
- Env. Pref. Products
- Existing Fit-Out, Salvaged
- Construction Waste Mgmt.
- Wood Products
- Adhesives & Sealants
- Vestibules
- Ceilings
- Insulation: Thermal, Acoustic, HVAC
- Wall Finishes
- Painting
- Floor Coverings
- Toilet Rooms
- Lighting: Interior + Parking
- Indoor Air Quality During Construction
- Plumbing Fixtures: Water Conservation
- Doors: Hardware
- EISA: Cost-Effective Improvements

## Post-Occupancy

- Heating and AC
- Ventilation
- Janitorial Services
- Selection of Cleang. Prod.
- Selection of Paper Prod.
- Landscaping
- Recycling
- Indoor Air Quality
- Mold
- Utility Consumption Reporting

# Green Paragraphs per Lease Model

**Standard**

**37**  
paragraphs

**Streamlined**

**35**  
paragraphs

**Simplified**

**31**  
paragraphs

**Succeeding/  
Superseding**

**31**  
paragraphs

**Prior TI-SFO**

**24-32**  
paragraphs

# Green Paragraphs per RLP/Lease Sections (Standard Model)

**RLP**

▪ EISA

▪ Additional Submittals

▪ LEED for CI

**L**

## CONSTRUCTION STANDARDS + SHELL

**E**

## TENANT IMPROVEMENT COMPONENTS

**A**

## UTILITIES, SERVICES, OBLIGATIONS DURING LEASE TERM

**S**



**E**

- 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. Prod.
- Existing Fit-Out, Salvaged
- Construction Waste Mgmt.
- Wood Products
- Adhesives & Sealants
- Vestibules
- EISA
- Ceilings
- Insulation: Thermal, Acoustic
- Painting
- Toilet Rooms
- Ventilation
- Lighting: Interior + Parking
- Energy Effic. for New Constr.
- LEED
- Indoor Air Qual. During Const.
- Systems Commissioning
- Plumbing Fixtures: Water Conservation
- Green Lease Submittals

# Sustainability Requirements for GSA Leases

Lease Type	Energy Star® Label 	LEED® Rating 	Guiding Principle Compliance
New Procurement (or Replacing)	<input type="checkbox"/> Energy Star Label <b>REQUIRED</b> for Leases <u>&gt; 10,000 sf</u> **  <input type="checkbox"/> Cost Effective Improvements OR E.S. Label required for Leases <u>≤ 10,000 s.f.</u>	<p align="center"><b>OPTIONAL</b> LEED – C I rating Commercial Interiors (Upon Agency Request)</p>	<p align="center">31-37 Key green clauses (Depending on lease model)</p>
Succeeding Lease (Extension/ Renewal)	<input type="checkbox"/> Energy Star Label <b>NOT</b> required  <input type="checkbox"/> Cost Effective Energy Improvements are <b>REQUIRED</b>	<p align="center"><b>OPTIONAL</b> LEED – C I rating Commercial Interiors (Upon Agency Request)</p>	<p align="center">31 Key green clauses (where applicable)</p>
New <u>Lease</u> Construction – Build To Suit (> 10,000 s.f.)	<input type="checkbox"/> Energy Star Label <b>REQUIRED</b>	<p align="center"><b>REQUIRED</b> LEED - N C rating SILVER Level</p>	<p align="center">GP compliance checklist</p>
<p><b>** Exceptions apply ; Lessor still required to make Cost Effective Energy Efficiency Upgrades</b></p>			

# LEED Requirement in Federal Leasing: New Construction vs. Commercial Interiors

New Lease Construction	Commercial Interiors
Required for projects $\geq$ 10,000 SF	Optional based on tenant agency request
Specific LEED Credit Categories required	Specific LEED Credit Categories required
LEED <u>Silver</u> Level (minimum)	LEED <u>Certified</u> Level (minimum)
Time to achieve rating—within 12 months of project occupancy	Time to achieve rating—within 9 months of project occupancy
<u>Green lease submittals</u> <ul style="list-style-type: none"><li>• Identification of LEED Accredited Professional (LEED AP)</li><li>• Documentation + receipt of final LEED certification</li></ul>	<u>Green lease submittals:</u> <ul style="list-style-type: none"><li>• Identification of LEED Accredited Professional (LEED AP)</li><li>• Documentation + receipt of final LEED certification</li></ul>

# LEED for Commercial Interiors in Federal Leasing

**LEED for Commercial Interiors (LEED-CI)** is optional and available when specifically requested by a customer agency. The Lessor, at the Lessor's expense, must obtain certification within nine months of occupancy.



# LEED-CI and Green Lease Paragraphs

**Standard  
Green Lease  
Clauses**

**Closely  
Aligned**

**LEED – CI  
Credits**



# ENERGY STAR Requirement



No Federal agency shall enter into a contract to lease space in a building that has not earned the Energy Star label in the most recent year except for the following :

- ❑ 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

**Under these exceptions, in Lieu of Energy Star®, the lessor must make Cost-Effective Energy Efficient Upgrades over the firm term of the lease**

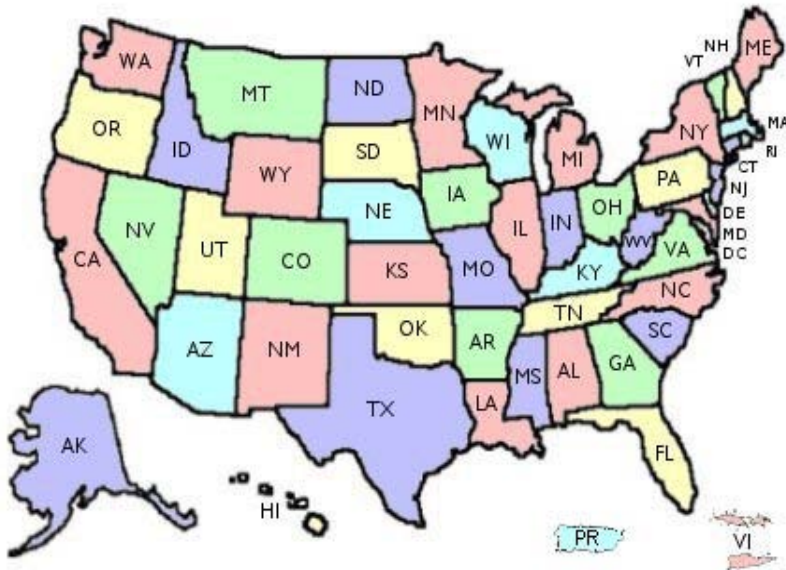


# Energy Star® Requirement for Lease Acquisition

Project Type / Space Type	ENERGY STAR® and LEED® Minimum Requirements [ Required vs. Voluntary ]	ENERGY STAR® Exceptions	In NON Energy Star® Buildings : Cost Effective Energy Efficiency Upgrades ( In the Allowed Absence of an Energy Star rating of 75)
<u>New Lease Construction</u> <u>&gt; 10,000 sf</u> ( Building built for federal govt. for lease solicitation )	<ul style="list-style-type: none"> <li>• LEED-NC® Silver Rating</li> <li>• Energy Star® &gt;= 75 Rating</li> </ul> <p style="text-align: center;"><b>[ REQUIRED ]</b></p>	None	N / A
<u>Leases &gt; 10,000 sf</u>	Energy Star® Rating >= 75 <b>[ REQUIRED ]</b>	<ul style="list-style-type: none"> <li>• No space Energy Star® space offered</li> <li>• Agency remaining in existing space</li> <li>• Building has architectural / cultural / historic significance</li> </ul>	Cost Effective Energy Efficiency Upgrades <b>[ REQUIRED ]</b>
<u>Leases &lt;= 10,000 sf</u>	Energy Star® Rating >= 75 <b>[ Voluntary / Encouraged ]</b>	Yes : 10k SF or less exception	Cost Effective Energy Efficiency Upgrades <b>[ REQUIRED ]</b>
<u>Prospectus Level Lease</u> ( > \$2.79 Million Net Annual Rent )	Energy Star® Rating >= 75 <b>[ REQUIRED ]</b>	<ul style="list-style-type: none"> <li>• No space available in market</li> <li>• Tenant remaining in existing space</li> <li>• Building has architectural / cultural / historic significance</li> </ul>	Cost Effective Energy Efficiency Upgrades <b>[ REQUIRED ]</b>
Short-term Extensions & Evaluated Options	Energy Star® Rating > = 75 <b>[ Voluntary / Encouraged ]</b>	N/A	Cost Effective Energy Efficiency Upgrades <b>[ Voluntary/Encouraged ]</b>
Expansions	Energy Star® Rating > = 75 ( <b>DEPENDS</b> upon whether or not determined to be within the “Scope of the Lease” ) <b>[ Voluntary/Encouraged ]</b>	Yes : Agency remaining in existing space	Cost Effective Energy Efficiency Upgrades are Required if the expansion is outside the “Scope of the Lease” <b>[ DEPENDS ]</b>

# Energy Star Challenges: Limited Supply of Energy Star Rated Buildings in the U.S.

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❑ There are 18,800 Energy Star rated buildings in the U.S.

▪ Represents 2.92 Billion square feet

❑ Only 6,440 of these (1/3) are Office Buildings

▪ Represents 1.64 Billion square feet

❑ These 6,440 Energy Star labeled buildings represent a fractional (< 1%) share of the 700,000+ office buildings in the U.S.

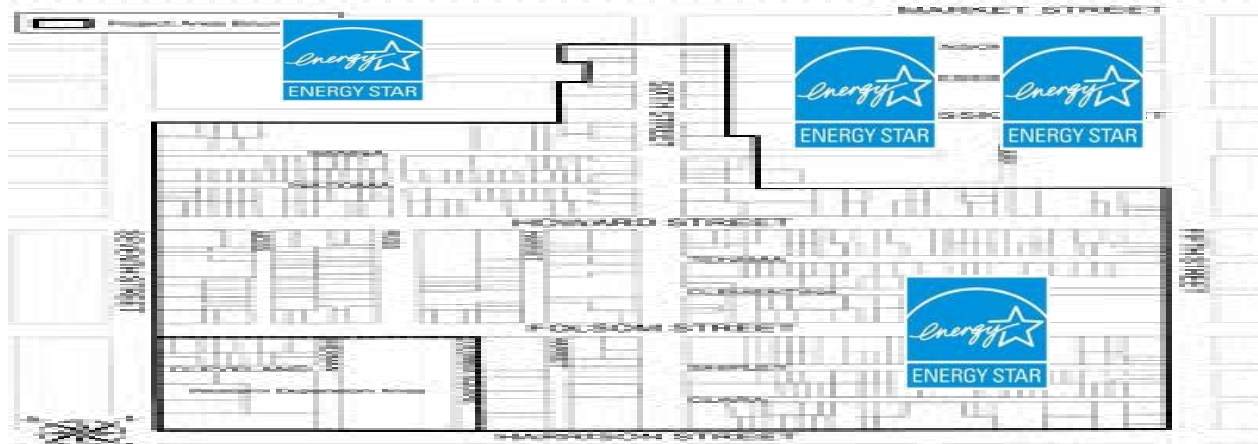
❑ Results in Restricted Competition; Impacts Rents (to tenants) Unfavorably



# Energy Star Challenges: Redefine Delineated Area to Include Additional Energy Star Buildings

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- Given the limited supply of Energy Star buildings in the U.S., if a Leasing Specialist has only **ONE** Energy Star building offered within a delineated area, it is important to rethink and perhaps redefine the delineated area
- Particularly true if its known that additional Energy Star buildings are located close to the existing Delineated Area
- Allows for a more balanced competitive environment
- Explore availability of Energy Star buildings early, **BEFORE** the delineated area is determined and RLP is announced/ advertised
- Important to be aware of the time frame that alternative buildings got ES rated - - have to be within **12 months of Final Proposal Revisions**



# Energy Star Challenges: Insufficient Occupancy Issues

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- ❑ Several modification's to GSA's lease were made in Sept. 2011 to address the issue of Insufficient Occupancy (via LAC 2011-13)
- ❑ As written, the legislation did not account for newly built buildings or buildings that are experiencing vacancy.
  - These buildings were being excluded because of lack of current occupied operating history, even though in many cases they were designed and constructed to be able to achieve an Energy Star label.
- ❑ The Office of Leasing recently revised language to address this issue:
  - 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  $\geq 75$ .
  - Offeror must also get a Designed to Earn the Energy Star certification.



geo mason class 9-23-12



# Energy Star Challenges: High-Security Tenant Issues



- ❑ **Some high security government tenants are not willing to provide information on the number of employees and/or the number of computer workstations in their space (which is required information to earn the Energy Star label)**
  
- ❑ **Central Office has worked with EPA to develop possible alternative reporting of necessary Energy Star information in a secure environment**
  - **Possible modifications to Portfolio Manager**



# Lease Language Modifications



Recently

Near-term

Pending Changes

- Optional → Mandatory Paragraphs
  - Wall Finishes, MEP, Toilet Rooms, Carpeting
  - Added IAQ and EPP
- Modifying specs related to:
  - Plug Load (7 to 4 watts per SF)
  - Utility Reporting by Lessor, Upon Request
  - WaterSense (minimum requirement)

- 
- Modify Lighting Specs
  - Update ASHRAE standards
  - Modify Interior Design Finishes

- 
- Incorporate LEED v4 + GG changes
  - Green Bldg. Certification System Review
  - Federal Buildings Personnel Training Act
  - Proposed New Guiding Principles for Lsg

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

# LEED: Version 4 (2013)

## Proposed Changes



- More performance-based versus design-based
- New Building Categories: Warehouse and Data Centers
- Some Optional credits will become Mandatory Prerequisites
- New Credit Categories: Location & Transportation, Integrative Process, Environmental Product Declarations, Acoustic Performance
- Emphasis on product disclosure and transparency
- Emphasis on reuse of buildings and materials
- Leasing impacts:
  - Pursuit of LEED ratings could diminish due to more stringent new rating system
  - Possible higher rents (particularly LEED for Commercial Interiors)

# Green Building Certification Review

- EISA requires a review every five years of the green building certification systems used by the government.
- Pacific Northwest National Lab conducted an analysis of three green building rating systems including LEED, Green Globes, and the Living Building Challenge.
- An interagency task force will develop recommendations on how green building certification systems will be used to facilitate high performance in the federal sector.
- The Office of Leasing will then modify lease language related to green rating systems as necessary.





# Utility Consumption Reporting Clause

## **UTILITY CONSUMPTION REPORTING (JUN 2012)**

Upon request from the Lease Contracting Officer or Contracting Officer's Representative, the Lessor shall provide regular quarterly reports of the amount of all utilities consumed at the Building in monthly detail for the duration of the Lease.

## E.O. 13514 on Sustainability Requires Guiding Principle (GP) Compliance: Strategic Sustainability Performance Plan (SSPP) Targets

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	....	FY 2020
Leased Facilities Targets	5.0 %	7.0 %	10.0 %	13.0 %	15.0 %	18.0 %	....	28.0%
Leased Facilities Actual Performance	5.2 %	7.6 %	10.6 %					

- Leasing exceeded SSPP/OMB Targets in 2012/2011/2010
- FY 2012 GP Compliance: 589 leases, within 519 buildings, totaling 25.1 million rsf:
  - Future year targets could be challenging to achieve – related to reduced number of total leases signed and reduced pursuit of green building ratings

- GP Compliance Required per the Executive Order on Sustainability:
  - Two Paths Toward Compliance Include:
    - Signing Leases in LEED/Green Globes Space OR
    - Including Key Mandatory Green Clauses (31- 37)
  - Applies to Leases > 5,000 rsf
  - Count based on # Leased Assets (buildings), NOT # Leases

# Sustainability Reporting Requirements

Federal Requirement	Reporting Requirement	Source
Executive Order 13514	<b>Guiding Principle Compliance:</b> <ul style="list-style-type: none"> <li>• LEED Rating</li> <li>• Green Lease Paragraphs</li> </ul>	OMB and CEQ
EISA, ENERGY STAR RSL	<ul style="list-style-type: none"> <li>• ENERGY STAR Label (<math>\geq 75</math> score) <u>or</u></li> <li>• Cost-Effective Energy Efficiency Improvements</li> </ul>	EISA Statute and RSL 2010-02
GSA High Priority Goals, GSA/PBS “Green Measures”	<ul style="list-style-type: none"> <li>• ENERGY STAR Label (<math>\geq 75</math> score)</li> <li>• Green Lease Paragraphs</li> </ul>	GSA/PBS
PBS Key Performance Indicators (KPIs)	<ul style="list-style-type: none"> <li>• ENERGY STAR Label (<math>\geq 75</math> score): # + sf</li> <li>• LEED Rating: # + sf</li> <li>• Green Lease Paragraphs</li> </ul>	PBS/Leasing
GHG Target Reductions	<ul style="list-style-type: none"> <li>• Jan. 2011: established 2008 baseline</li> <li>• June 2011: refined baseline</li> </ul>	OMB and CEQ

# Office of Leasing: Key External and Internal Green Measures

## E.O. 13514: Guiding Principle Compliance

External measure reported to OMB/CEQ

Tracks LEED/Green Globes and Green Lease Paragraphs

Reported quarterly

Counts all leases (cumulative number)

Size threshold: >5,000 sf

Targets:

FY 2010: 5%

FY 2011: 7%

FY 2012: 10%

FY 2013: 13%

FY 2014: 15%

## GSA Program: ENERGY STAR

Internal measure reported to GSA Administrator and PBS Commissioner—part of quarterly KPIs

Tracks leases signed in ENERGY STAR space ( $\geq 75$  score)



Reported biannually

Counts leases of all sizes

Tracks cumulative and current quarter's number of ENERGY STAR leases (and associated number of buildings and leased rentable square feet)

# GSA Green Leases

## GSA Green Leases: Guiding Principle Compliance + Energy Star Labeled

	 ENERGY STAR			Guiding Principle Compliant ( only >5,000 rsf )			 LEED/Green Globes		
REGION	# BLDG S	# LEASE S	LEASED SQ.FT.	# BLDG S	# LEASE S	LEASED SQ.FT.	# BLDG S	# LEASE S	LEASED SQ.FT.
1	13	20	596,315	27	28	508,533	10	11	349,680
2	13	18	1,106,397	22	26	668,579	6	7	306,100
3	16	21	2,154,257	45	47	2,467,755	11	11	273,260
4	55	69	2,799,252	67	73	2,214,258	15	18	700,471
5	50	100	3,634,106	48	53	1,593,392	16	20	660,746
6	8	12	1,644,525	45	47	2,816,304	15	15	2,175,271
7	38	48	2,064,269	43	44	1,733,269	12	12	511,780
8	36	50	2,603,077	33	40	2,013,612	21	26	1,564,329
9	92	133	3,974,966	83	101	3,150,952	33	47	1,608,380
10	25	38	1,931,006	47	59	1,390,261	15	26	1,029,631
11	138	277	25,703,382	59	71	6,579,573	28	38	5,212,800
<b>SUBTOTAL</b>	<b>484</b>	<b>786</b>	<b>48,211,552</b>	<b>519</b>	<b>589</b>	<b>25,136,488</b>	<b>182</b>	<b>231</b>	<b>14,392,448</b>
GSA Inventory Base	7,214	8,786	197,587,240	4,920	5,731	190,264,075	7,214	8,786	197,587,240
% of Total GSA Inventory	6.7%	8.9%	24.4%	10.55%	10.28%	13.21%	2.5%	2.6%	7.3%

[ Reps all leases and blgs ]

[ Reps leases + blgs over 5K ]

reps all leases and blgs

Source : GSA REXUS data (Aug. 2012) ; CoStar ; EPA ; USGE

F R P P FY 2012 Year-End Final



# Green Cost Information



- Increased focus on determining the costs and savings associated with green buildings and green leases
- Many industries and professional organizations connected with green building and commercial real estate have conducted cost and savings studies
- Growing number of Congressional inquiries about the “cost of green”
- Difficult to track green building costs and benefits in Fully Serviced settings, where govt. is typically a minority tenant (<25% building occupancy)

# Construction / Rent Costs and Operational Impacts/Savings: Studies Related to Green Building Impacts

## Davis Langdon

- Highly regarded construction cost consulting firm
- Conducted comprehensive study in 2004 and 2007 of LEED and non-LEED building costs in 221 buildings
- Concluded that there was **NO** significant difference in average costs for green buildings vs non-green buildings

## RS Means

- Well regarded source of building construction cost data
- Studies reveal average additional project costs for LEED can range from **2 - 5%**, which keeps diminishing

## McGraw Hill Constructn.

- Well regarded source of construction data
- Owner's Benefits to green:
  - **3% Rent Increase**
  - **7.5% Higher Building Values**
  - **6.6% Higher ROI**
  - **3.5% Improvement in Occupancy Rates**
- **8 - 9% Lower Operating Costs**

## E P A

- Recent study estimates that commercial building owners can generate **\$2 to \$3 of incremental asset value for every \$1** invested in energy performance
- Studies show Energy Star buildings consume up to **40% less energy** than non - Energy Star buildings

## Costar Study

- Evaluated 2,301 LEED and Energy Star Buildings
- **ENERGY STAR \$2.40 Rent Premium**
- **3.6% Higher Occupancy Rate**
- **\$61/ s.f. Higher Avg. Sales Price**
- LEED
  - **\$3.13 Rent Premium**
  - **3.8% Higher Occupancy Rate**
  - **\$171/s.f. Higher Average Sales Price**

## Greg Kats

- 2007 study of 170 LEED Buildings
- Demonstrated that green building costs on average are **about 1.5 % higher** than normal construction costs

## GSA Green Building Cost Study - Federal Space

- Study conducted in 2011 of 22 sustainability designed buildings
- Environmental performance, financial metrics, and occupant satisfaction were evaluated
- Green building benefits:
  - **25% Less Energy**
  - **19% Lower Maintenance Costs**
- **27% Higher Occupant Satisfaction**
- **36% Lower CO2 Emissions**
- LEED buildings (5) performed even better

## Owners of Large Corporate Real Estate Portfolios

- Growing database of **substantial operational savings** for owners of large building portfolios:
  - Calpers
  - TIAA-CREF
  - Transwestern
  - Vornado
  - PNC Bank
  - Nike
  - Siemens
  - CBRE
  - Wells Fargo
  - Microsoft
  - SAP Software
  - Intel

## New Buildings Institute

- 2008 Study of 121 LEED buildings
- LEED Buildings used **25 - 30% less energy** than the national average
- Half of these buildings achieved an Energy Star score  $\geq 75$

# Owner vs. Tenant Considerations

- Owner (not tenant) is beneficiary of operational savings related to green building elements on fully serviced leases
- Owner possibly passes on green costs in form of higher rents but perhaps not the full benefits of operational savings
- Tenants not incentivized to follow green/energy savings practices on fully serviced leases
- Tenants are indirectly benefiting via Intangibles such as increased productivity, improved employee attraction and retention, and improved tenant satisfaction
- “Shared savings” demanded by some savvy tenants



# Indirect Savings and Benefits for Tenants



- Favorable impacts for tenants related to green building features
  - ▣ Increased productivity
  - ▣ Improved employee attraction and retention
  - ▣ Reduced absenteeism
  - ▣ Improved tenant satisfaction
- Translating work hours gained and associated hourly or daily salaries into cost savings to tenants reveals compelling savings levels relative to annual rent costs and added costs of green building features
- Cost per square foot of workforce can be up to 20 times greater than the cost per square foot of a lease
- Often not factored into original rent evaluation because they are seen as difficult to quantify

# GSA Green Purchasing Plan (GPP)

- GSA Order in 2011 (addressing E.O. 13514) established the Green Purchasing Plan
- GPP has requirements to promote the purchase of sust. products and services
- Office of Leasing is meeting the intent of GPP goals by incorporating sustainability provisions in the leasing program
- Standard Lease document has 37 green paragraphs related to sustainable build-out and operation of tenant spaces

## Green products include:

- Comprehensive Procurement Guidelines (CPG)
- Bio-Based and Bio-Preferred
- Environmentally Preferred Products (EPP)
- ENERGY STAR Products
- EPA WaterSense Products

# Sustainability: Interaction Between Leasing and Major Business Lines



# Sustainability Priority Projects: F Y 2013

- 1) Training/Education/Communication about Green Leasing Provisions - - to Internal + External real estate community
  - Refine technical (on-line) training modules on detailed green leasing topics
  - Outreach to Regions/ Professional associations/ Lessor community
- 2) Evaluate/Incorporate Green Provisions in Standard Lease Language:
  - Technical evaluation + refresh of lease document: Lighting specs/ASHRAE standards/Interior finish specs/etc.
  - Evaluate/Incorporate relevant revisions to LEED/Green Globes and Green Building Certification System Review
- 3) Automate the Tracking and Reporting of Guiding Principle and Energy Star Compliance:
  - Incorporate automated sustainability reporting/tracking within new T-REX (eLease replacement system)
  - Continue audit of green lease clauses
  - Explore ways to systematically track/report green leasing costs and savings
- 4) GHG Reporting and Reduction/ Sub-metering Pilot
  - Refine existing model to calculate GHGs
  - Partner with EPA to modify portfolio manager tool to better track utility data
  - Sub-metering Pilot of 2 leased buildings to determine cost/benefit of sub-metering fully serviced leased space

# Green Lease Information on GSA.gov



U.S. General Services Administration

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## Leasing Policy & Procedures

- Overview
- Broker Contract 3 (BC3)
- ▶ **Green Leasing**
- Lease Documents
- Lease Inventory
- National Broker Contract
- Realty Policy and Tools
- Security Standards for Leased Buildings

## Green Lease Policies and Procedures

GSA promotes government-wide efforts to create green, sustainable buildings. To support this work, GSA issued the Realty Services Letter, RSL-2007-12, Green Lease Policies and Procedures for Lease Acquisition and RSL-2010-2, Energy Star® Requirement for Lease Acquisition, and LAC 2011-13, Sustainability update.

[RSL-2007-12](#) outlines policy to implement energy and environmental leasing requirements. This policy incorporates modified and additional green language for all leases. The letter also provides accompanying policy in accordance with Executive Order 13423, Strengthening Federal Environmental, Energy and Transportation Management, and the Energy Policy Act of 2005.

[RSL-2010-02](#) implements the Energy Star requirement of the Energy Independence and Security Act of 2007 (EISA) for Lease Acquisition. Section 435 of EISA mandates that no

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Office of Leasing

# Leasing Desk Guide

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**Realty Policy and Tools**

- Overview
- Leasing Desk Guide
- Realty Policy
- ▶ **Leasing Desk Guide**
- Lease Process Reform
- Policies Effective
- RSL Good Practices Library (Optional)
- Realty Tools

## Leasing Desk Guide

**Purpose and Scope**

The [Leasing Desk Guide \(Desk Guide\) chapters](#) contain authorities, policies, technical and procedural guides, and administrative limitations governing the acquisition by lease of real property. It replaces previous Public Buildings Service (PBS) leasing guides and incorporates other existing policies and procedures. Additional Realty Services Letters (RSL) are available in the [Effective Policies](#) section. Realty professionals must follow the policies of the effective RSL until they are canceled by additional Desk Guide issuances. The process overviews in this Desk Guide do not completely cover all of the possible considerations and alternative courses of action that realty professionals must know to successfully complete all possible lease actions. However, they should be able to use the material in this Desk Guide to help them tie together the typical considerations, process steps, and review requirements that they could normally expect to encounter.

**Applicability**

The policies of this Desk Guide apply to all PBS personnel engaged in the acquisition and administration of leasehold interests in real property. This Desk Guide also applies to agencies leasing space under [delegated authority](#) from the General Services Administration. [LAC-2010-1](#) formally establishes the Desk Guide as a source of Leasing guidance that was previously only contained in RSLs and issues the initial chapters of the Desk Guide. The Office of Leasing will be issuing LACs to roll out additional Desk Guide chapters and cancel corresponding RSLs.

**Leasing Desk Guide**

Date Issued	Chapter	Type	Subject
09/26/2011	TOC	PDF	Table of Contents
09/30/2011	Introduction	PDF	General Information, Lease Authorities, and Responsibilities
09/30/2010	1	PDF	Requirements Development
09/30/2010	2	PDF	New or Replacing Lease
05/31/2011	3	PDF	Simplified Lease Acquisition

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- [Leasing](#)

[GSA.gov/Office of Leasing/Leasing Desk Guide]

<http://www.gsa.gov/portal/content/184265>

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# Sustainability Tools and Resources

## **GSA Public Buildings Service**

[www.gsa.gov/pbs](http://www.gsa.gov/pbs)

## **GSA Office of Leasing**

[www.gsa.gov/leasing](http://www.gsa.gov/leasing)

## **DOE: Green Opportunities for Leased Buildings**

[www1.eere.energy.gov/buildings/commercial/leased](http://www1.eere.energy.gov/buildings/commercial/leased)

## **EPA: Environmentally Preferable Purchasing (EPP)**

[www.epa.gov/epp](http://www.epa.gov/epp)

## **USGBC: LEED**

[www.usgbc.org/LEED](http://www.usgbc.org/LEED)

## **ENERGY STAR**

[www.energystar.gov](http://www.energystar.gov)

## **Green Globes**

[www.greenglobes.com](http://www.greenglobes.com)

## **GSA Report: “Green Building Performance”**

[www.gsa.gov/graphics/pbs/Green\\_Building\\_Performance.pdf](http://www.gsa.gov/graphics/pbs/Green_Building_Performance.pdf)

## **The Sustainable Facilities Tool**

[www.sftool.gov](http://www.sftool.gov)