ISWG Meeting

GSA: Office of Leasing
Sustainability Update

July 21st, 2016
Alexandra Kosmides
Green Leasing Update

- GSA Green Leasing Requirements
- Guiding Principles in Leased Space
- Utility Consumption Reporting and EISA Benchmarking Provision
- Model Commercial Leasing Provisions; Net of Utilities Leases
- FY 2017 – FY 2018 Focus
# Sustainability Requirements for GSA Leases

<table>
<thead>
<tr>
<th>Lease Type</th>
<th>Energy Star® Label</th>
<th>LEED® Rating</th>
<th>Guiding Principle Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Procurement (or Replacing)</td>
<td>- Energy Star Label REQUIRED for Leases &gt; 10,000 sf *&lt;br&gt;- Cost Effective Improvements OR E.S. Label required for Leases &lt;= 10,000 s.f.</td>
<td><strong>OPTIONAL</strong>&lt;br&gt;LEED – C I rating Commercial Interiors (Upon Agency Request)</td>
<td>32-42 Key green clauses (Depending on lease model)</td>
</tr>
<tr>
<td>Succeeding Lease (Extension/ Renewal)</td>
<td>- Energy Star Label NOT required&lt;br&gt;- Cost Effective Energy Improvements are REQUIRED</td>
<td><strong>OPTIONAL</strong>&lt;br&gt;LEED – C I rating Commercial Interiors (Upon Agency Request)</td>
<td>34 Key green clauses (where applicable)</td>
</tr>
<tr>
<td>New Lease Construction – Build To Suit (&gt; 10,000 s.f.)</td>
<td>- Energy Star Label REQUIRED</td>
<td><strong>REQUIRED</strong>&lt;br&gt;LEED - N C rating SILVER Level</td>
<td>GP compliance checklist</td>
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* Exceptions apply; Lessor still required to make Cost Effective Energy Efficiency Upgrades
Green Lease Language Modifications

**Key Sustainable Products**
- PBS Consistency
- LAC Issued Apr.15
- KSP language is reflected in Sept. 2015 lease models

**E.O. 13693 + Energy Efficiency Improvement Act**
- New E.O. on Sustainability (March 2015)
- Energy Efficiency Act (April 2015)

**LEED v4, Green Globes, Rating System Updates**
- LEED v4 mandatory date 11/1/2016
- Cost study D&C
- Green Globes/ Living Bldg. Challenge+ GPs

**Guiding Principles Changes**
- New GPs – Feb.16
- Leases NOT included in GP count
- GSA will still require GP green clauses
**New Executive Order 13693: Planning for Federal Sustainability in the Next Decade (March 19, 2015)**

- **Energy Efficiency Performance Criteria or Source Selection Factor**
  - All new solicitations over 10,000 RSF require energy efficiency either as a required performance criterion or as a source selection factor in best-value tradeoff procurement.
  - Leasing is using the existing Energy Star requirement or cost-effective improvement provision in the lease document to be equivalent to this “criteria for energy efficiency as a required performance specification”.

- **Energy Disclosure**
  - Lessors are required to disclose carbon emissions and/or energy consumption data for the leased spaces over 10,000 RSF via sub-metering or estimation from pro-rated occupancy data.
  - Office of Leasing developing/testing a process to track and report energy consumption by lessors. New requirement effective for FY 2016 leases.

- **Guiding Principle Targets**
  - Revised Guiding Principles that were due in late Aug. 2015, were finalized in Feb. 2016.
  - New GPs do NOT include leases, though Agencies are encouraged to use GPs in leases.
  - GSA Office of Leasing will still require/report compliance with green GP clauses.
  - Flexible, internal measure being developed – based on percentage share of compliant green clauses + specified “must-haves”.

- **Optimize Space Usage + Consider Existing Transp.+ Infrastructure**
  - Implementing Instructions from EO 13514 is kept under this E.O. – CEQ can revise. Focus on an appropriate balance of sustainability, cost, and security.
### Guiding Principle Targets + Actuals for Leasing

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<tbody>
<tr>
<td>Leased Facilities ACTUAL Performance</td>
<td>5.0 %</td>
<td>7.0 %</td>
<td>10.0 %</td>
<td>13.0 %</td>
<td>15.0 %</td>
<td>18.0 %</td>
<td>18.0 %</td>
<td>--</td>
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- Leasing exceeded SSPP/OMB Targets in FY 2010-2016 YTD
- **Two paths to Achieve GP Compliance Include:**
  - Signing Leases in 3rd Party Rated Green Space (LEED, Green Globes, LBC) OR
  - Include Key Mandatory Green Clauses in Lease (32-39)
- Applies to leases > 5,000 RSF
- FY 2015 GP Compliance: **1,005 Leases**, Within 865 Buildings, Totaling 44.5 Mil. Leased RSF
  - 67% due to green clause adherence; 33% due to locating in LEED/Green Globes space

- GSA’s Office of Leasing is developing a **new GP measure** based on:
  - % Share of Total Green Clauses
  - Specified “Must-Have” Clauses
  - Combination of Cumulative + Annual measure
  - Some modifications to green lease language in FY 16 and FY 17

Leases NOT included in GPs

Office of Leasing will track/report GPs internally
Energy Disclosure/Benchmarking Jurisdictions

U.S. Building Benchmarking and Transparency Policies

- Commercial policy adopted
- Commercial & multifamily policy adopted
- Public buildings benchmarked
- Single-family transparency adopted
Utility Consumption Reporting Steps

1. Adjust Lease Language to Make Utility Reporting Mandatory for 10,000+ Leases
3. Lessors Populate Consumption Data in EPA’s Portfolio Manager Tool
4. Adjust Data for Partial Building Occupancies
5. Regularly Report Lessors’ Utility Data to GSA – GSA developed GHG Model → Generates Annual GHG Estimates to Agencies
Upon the effective date of the Lease, only for leases over 10,000 RSF, the Lessor shall provide regular quarterly reports for the amount of utilities (including water) consumed at the Building broken down by utility type per month for the duration of the Lease. Lessors shall report this utility consumption data within 45 calendar days of the end of each calendar quarter. Data reported includes, but is not limited to, the number of actual units consumed, by utility type per month, and associated start and end date(s) for that consumption.
UCR Initiative Milestones

**FY15**
- Defined UCR data collection process using EPA Portfolio Manager

**Pilot 1**
- Deployed data call in December 2015 to 64 leases (32 of the 64 leases deemed UCR exempt)

**Pilot 2**
- Deployed data call in March 2016 to 19 leases (data call in progress)

**Pilot 3**
- Deployed data call in March 2016 to 70 leases (data call in progress)

**Pilot 4**
- Added pilot group 4 and deployed data call in March 2016 to 70 leases (data call in progress)

**FY16**
- Continue to refine process, work with the Office of Leasing to formalize process and manage effort; leverage data to report GHG emissions, utility costs, and consumption

- **Define**
  - September 2015 - Identified UCR lease universe and grouped leases into 3 pilot groups by RSF (1: 64 leases, 2: 19 leases, 3: 70 leases)

- **Identify**
  - October 2015 - Held UCR initiative kick off session with GSA national OoL stakeholders, including Regional POCs, LCOs and LAMs

- **Deploy**
  - November 2015 - Multiple mtgs. with Caterina Hatcher and Zachary Shelin from EPA Portfolio Manager to inquire about the technical capabilities of the EPA PM tool and collaborate on national rollout of UCR process

- **Execute**
  - December 2015 - Held UCR kick off working session with a dozen of the Pilot Group 1 lessors to introduce the draft utility data collection process and gather feedback

- **Refine**
  - FY16 - Collected feedback from GSA OoL, LCOs, LAMs, lessors, EPA PM team, IMT, and third party vendors (Measurbl) to analyze existing UCR process, gather lessons learned, and refine

Collaborated with OGP on leveraging UCR data to inform GSA GHG emissions model

- Tenant Star
- Model Commercial Leasing Provisions
- Federal Tenant Benchmarking
- Separate Spaces Study
### Model Commercial Leasing Provisions (Section 301)

| GSA (with DOE) shall develop model leasing provisions and best practices to encourage commercial bldg. owners + tenants to invest in cost-effective energy + water efficiency measures | GSA shall periodically publish the model commercial leasing provisions with explanatory materials to encourage private-sector use of the efficiency measures in leases | GSA shall make provisions and best practices available to State, county, and municipal governments – with the goal of encouraging investment in cost effective energy + water efficient measures | GSA shall develop policies and practices to implement cost-effective energy + water efficient measures for realty services it provides to other Federal agencies |
- Landlord benchmarking is required by the Energy Efficiency Improvement Act of 2015
- GSA Office of Leasing made modifications to Lease/RLP language in March 2016 to address this new requirement

- Owners of buildings that did not have a current Energy Star label as of the Due Date for Final Proposal Revisions must benchmark (score) their building using EPA’s free Portfolio Manager tool
  - Report the score to the Government; One time only

- Exceptions – Unable to benchmark due to:
  - No appropriate building category in Portfolio Manager tool
  - Owner does not have, and cannot obtain data on all utilities consumed because tenants (but not Federal agencies) are paying utilities directly and not sharing the data with owner
  - Local/state privacy law prohibits providing utility consumption info to Owner

- GSA Office of Leasing is developing a process to monitor and track lessor compliance and establish a database of the scores
# Federal Tenant Benchmarking

<table>
<thead>
<tr>
<th>Criteria/Requirement</th>
<th>EISA (3.16)</th>
<th>UCR (6.04)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOURCE of requirement</td>
<td>Energy Efficiency Improvement Act (Apr.15)</td>
<td>Executive Order 13693 (March 2015)</td>
</tr>
<tr>
<td>SIZE of Lease</td>
<td>ALL Sizes</td>
<td>&gt; 10,000 rsf</td>
</tr>
<tr>
<td>BENCHMARKING in EPA’s Portfolio Manager Tool</td>
<td>REQUIRING P.M.</td>
<td>REQUESTING P.M. [ ** consider requiring P.M. for 6.04**]</td>
</tr>
<tr>
<td>DATA to Disclose/Provide</td>
<td>Energy Star Score (requires utility data input into P.M.; in addition to inputting much building info)</td>
<td>Monthly Utility Data – Including Water Input into Portfolio Manager</td>
</tr>
<tr>
<td>REPORTING Requirement: Frequency and End User</td>
<td>Silent (PR is assuming the law will be complied with one time only, benchmarking. No end user except for the general public)</td>
<td>Monthly utility + water data reported in Portfolio Manager for GSA access (to generate GHG estimates)</td>
</tr>
<tr>
<td>EXCEPTIONS</td>
<td>Cannot benchmark due to high vacancy; Located in State with Privacy laws; No bldg. category in P.M.; Unable to access utility data</td>
<td>None stated [ ** need to add relevant exceptions to 6.04**]</td>
</tr>
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**Fully Serviced vs. Net of Utilities Leases**

- 95% of GSA’s leases are Fully Serviced
- 5% of GSA’s leases are Non-Fully Serviced

<table>
<thead>
<tr>
<th>Lease Type</th>
<th>Risk Burden</th>
<th>Utility Payment</th>
<th>Lease Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Serviced</td>
<td>Landlord</td>
<td>Tenant pays utilities in Rent</td>
<td><img src="image1" alt="Fully Serviced Lease Diagram" /></td>
</tr>
<tr>
<td>Net of Utilities (GSA pays)</td>
<td>GSA</td>
<td>Tenant Pays GSA for Utilities</td>
<td><img src="image2" alt="Net of Utilities (GSA pays) Diagram" /></td>
</tr>
<tr>
<td>Net of Utilities (Tenant pays)</td>
<td>Tenant</td>
<td>Tenant Pays Utility Bill Directly to Utility Provider</td>
<td><img src="image3" alt="Net of Utilities (Tenant pays) Diagram" /></td>
</tr>
</tbody>
</table>

GSA’s Leased Portfolio by # of Leases

- Net of Utilities Leases
- Fully Serviced Leases

- 95% of GSA’s leases are Fully Serviced
- 5% of GSA’s leases are Non-Fully Serviced
Preliminary pilot results show a moderate reduction in utility consumption and costs when Fully Serviced lease shifted to Net of Utilities. 2 full years of utility data are needed for conclusive results.
The Office of Leasing examined opportunities to reduce energy consumption and utility costs within its 8,340 leased properties, 95% of which are currently Fully Serviced.

Shifting some leases (upon expiration) from Fully Serviced (landlord pays utilities) to Net of Utilities (tenant or GSA pays utilities), provides the potential for GSA to create more transparency and accountability with tenant agencies by having them be responsible for utility consumption and costs.

Consider a Net of Utilities Lease Structure If:

- Large lease size (>30,000 rsf), and Tenant represents 100% building occupant
- Tenant is a high-energy user (24/7 operation), new lease construction, or unique use (e.g. warehouse, lab, special purpose)
- Agency has net of utilities infrastructure + administrative support processes in place
- Agency has the budgeting ability to account for fluctuations in energy costs/usage
- Agency pays utilities directly (versus GSA pays)
- Agency has strong leadership buy-in for net of utilities
- Lease location in deregulated market where GSA can purchase energy in bulk

Important to consider all Benefits and Challenges:

- **Benefits**: Potential reductions in utility consumption and costs; Ability to meet Federal energy reduction and GHG goals
- **Challenges**: Administrative resources; Workload issues; Manually intensive; Budgeting uncertainty; Collection issues; No guarantee of energy savings; Reduced incentive for landlord to maintain buildings
Guiding Principle Measure

UCR + EISA Reporting Refinement

Green Product Spec Modifications

Net of Utility Leases – Targeted Approach; LEED v4, etc. Evaluation

Political Changes/ Adjusted Goals