

ISWG Meeting

GSA: Office of Leasing Sustainability Update

***July 21st, 2016
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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

Lease Type	Energy Star® Label 	LEED® Rating 	Guiding Principle Compliance
New Procurement (or Replacing)	<input type="checkbox"/> Energy Star Label REQUIRED for Leases <u>> 10,000 sf *</u> <input type="checkbox"/> Cost Effective Improvements OR E.S. Label required for Leases <u>≤ 10,000 s.f.</u>	<p style="text-align: center;"><u>OPTIONAL</u> LEED – C I rating Commercial Interiors (Upon Agency Request)</p>	32-42 Key green clauses (Depending on lease model)
Succeeding Lease (Extension/ Renewal)	<input type="checkbox"/> Energy Star Label <u>NOT</u> required <input type="checkbox"/> Cost Effective Energy Improvements are REQUIRED	<p style="text-align: center;"><u>OPTIONAL</u> LEED – C I rating Commercial Interiors (Upon Agency Request)</p>	34 Key green clauses (where applicable)
New Lease Construction – Build To Suit (> 10,000 s.f.)	<input type="checkbox"/> Energy Star Label REQUIRED	<p style="text-align: center;"><u>REQUIRED</u> LEED - N C rating SILVER Level</p>	GP compliance checklist

* Exceptions apply ; Lessor still required to make Cost Effective Energy Efficiency Upgrades

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.

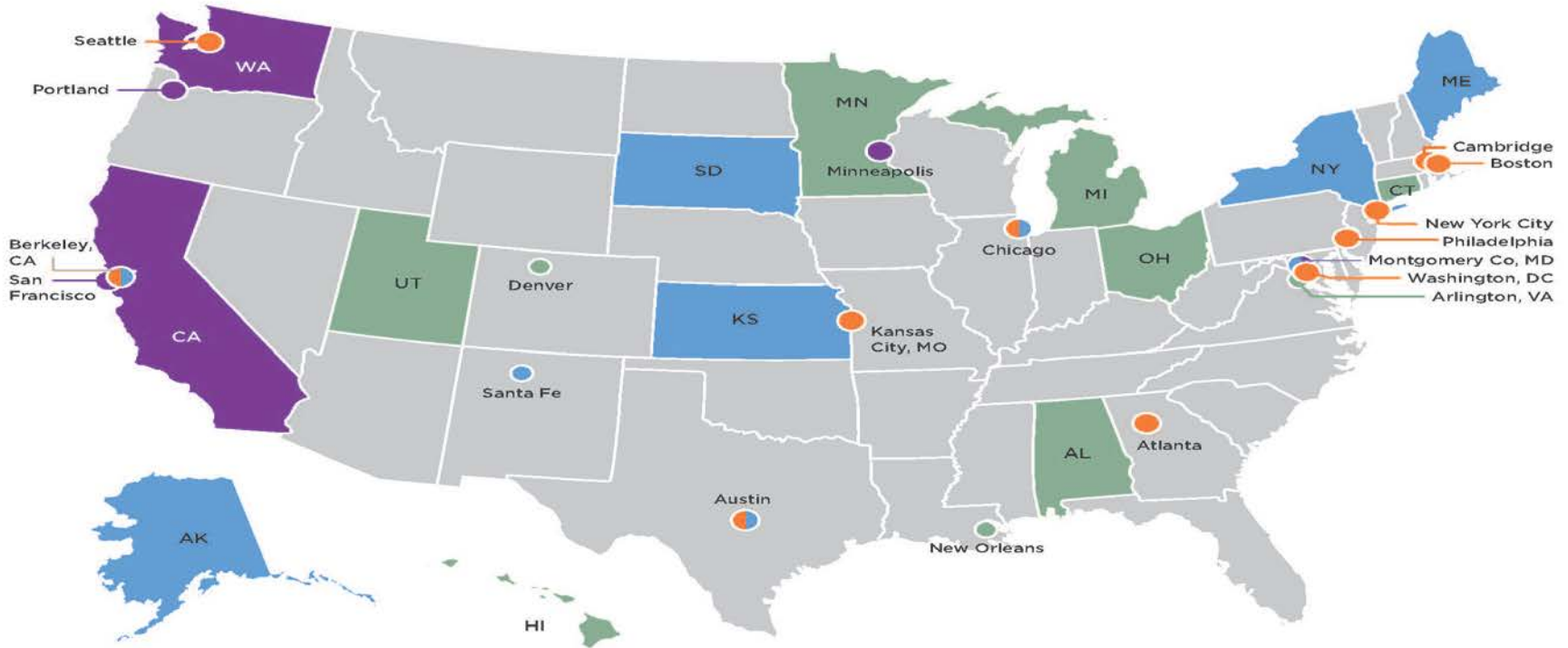
Guiding Principle Targets + Actuals for Leasing

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Leased Facilities TARGETS	5.0 %	7.0 %	10.0 %	13.0 %	15.0 %	18.0 %	18.0 %	Leases <u>NOT</u> included in GPs
Leased Facilities ACTUAL Performance	5.2 %	7.6 %	10.6 %	13.4 %	15.3 %	18.1 %	--	Office of Leasing will track/report GPs <u>internally</u>

- ❑ 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**

U.S. Building Benchmarking and Transparency Policies



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- Commercial policy adopted
- Commercial & multifamily policy adopted
- Public buildings benchmarked
- Single-family transparency adopted

Utility Consumption Reporting Steps

Adjust Lease Language to Make Utility Reporting Mandatory for 10,000+ Leases



Developing/Testing Process for Lessors to Report Monthly Energy/ Water Data



Lessors Populate Consumption Data in EPA's Portfolio Manager Tool



Adjust Data for Partial Building Occupancies



Regularly Report Lessors' Utility Data to GSA – GSA developed GHG Model → Generates Annual GHG Estimates to Agencies

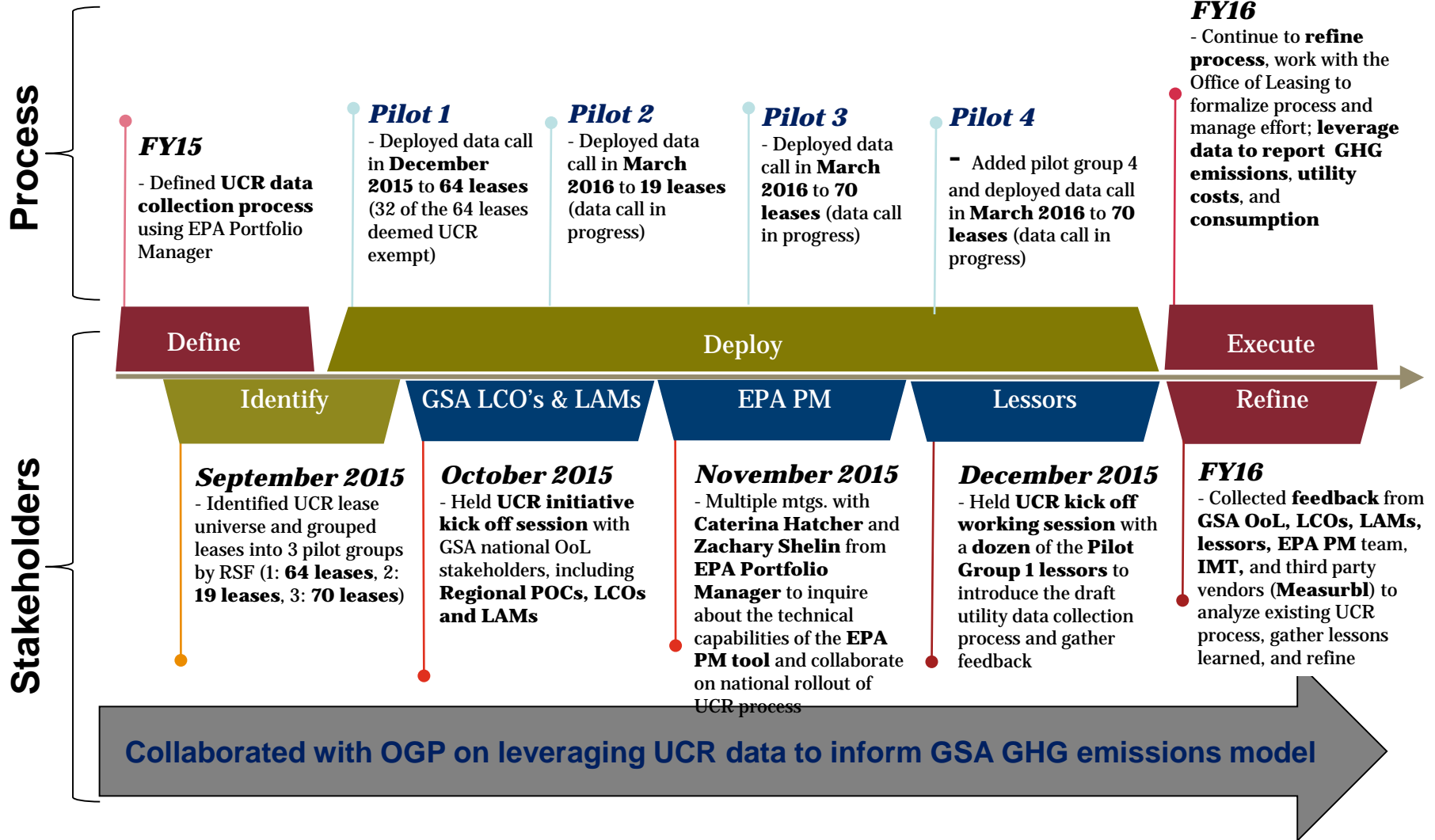


UCR clause and UCR process is a response to GHG reporting requirements (2008-2014) and the new E.O. (2015)

UTILITY CONSUMPTION REPORTING CLAUSE (OCT 2015)

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



*Energy Efficiency Improvement Act:
Leasing-Related Provisions*

*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**

EISA Provision: Federal Tenant Benchmarking per the Energy Efficiency Improvement Act of 2015

- ❑ *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*

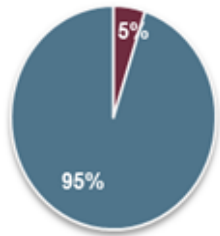
- ❑ *GSA Office of Leasing is developing a process to monitor and track lessor compliance and establish a database of the scores*

Federal Tenant Benchmarking

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

Fully Serviced vs. Net of Utilities Leases

GSA's Leased Portfolio by # of Leases



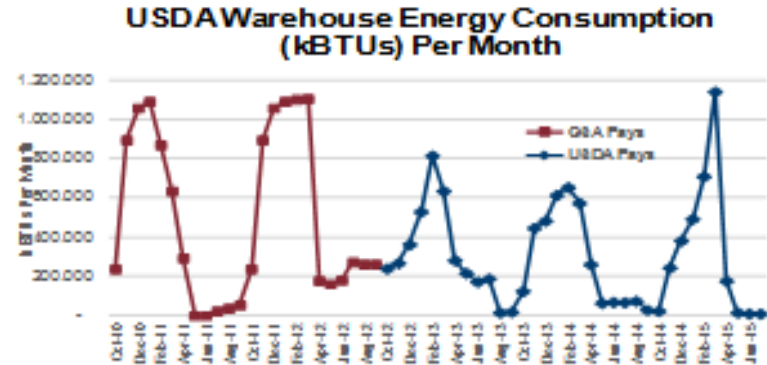
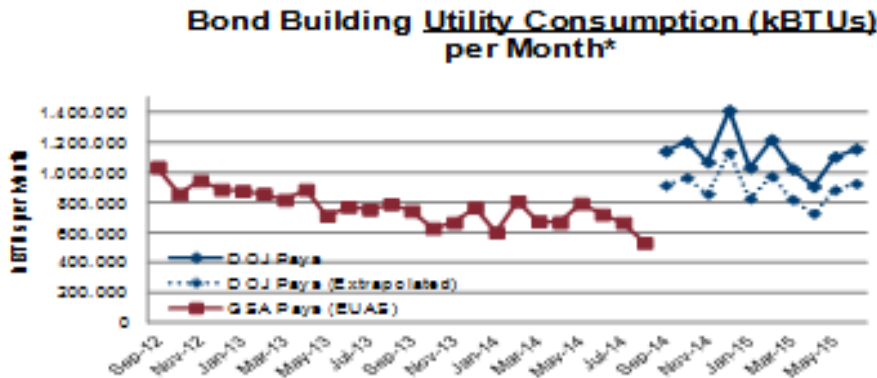
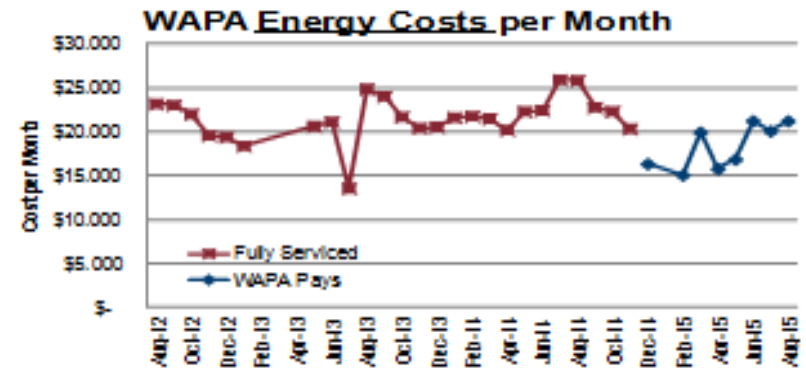
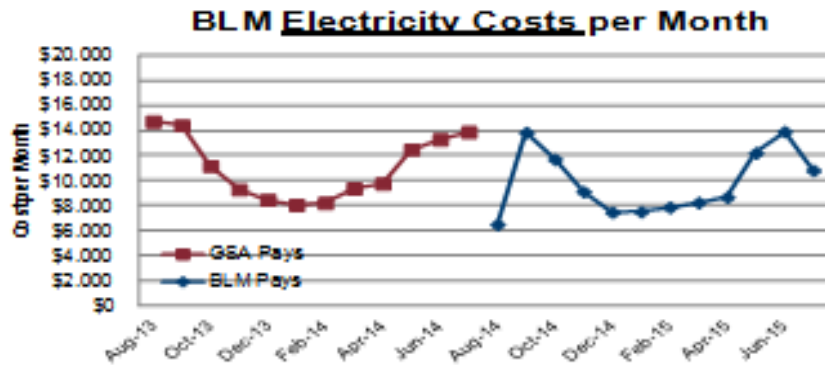
- Net of Utilities Leases
- Fully Serviced Leases

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

Lease Type	Risk Burden	Utility Payment	Lease Structure
Fully Serviced	Landlord	Tenant pays utilities in Rent	<p>Fully Serviced Lease</p> <pre> graph LR Tenant[Tenant] --> GSA[GSA] GSA --> Landlord[Landlord] </pre>
Net of Utilities (GSA pays)	GSA	Tenant Pays GSA for Utilities	<p>Net of Utilities (GSA pays)</p> <pre> graph LR Tenant[Tenant] --> GSA[GSA] GSA --> Utilities[Utilities] GSA --> Landlord[Landlord] </pre>
Net of Utilities (Tenant pays)	Tenant	Tenant Pays Utility Bill Directly to Utility Provider	<p>Net of Utilities (Tenant pays)</p> <pre> graph LR Tenant[Tenant] --> GSA[GSA] Tenant --> Utilities[Utilities] GSA --> Landlord[Landlord] </pre>

Sample Data for Net of Utility Pilot Studies: Utility Costs and Consumption– “Before” (as F.S.) + “After” (as N.U.)

- Preliminary pilot results show 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





Net of Utilities Leases: Considerations at Requirements Development Stage

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