



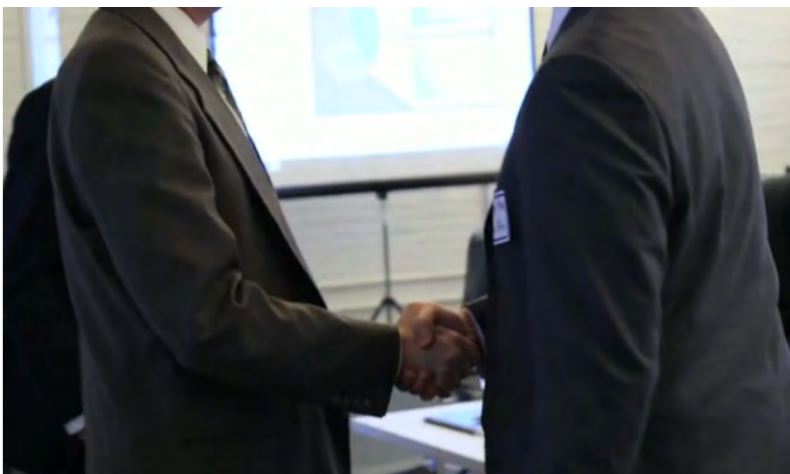
Green Leases

Creating an Energy Savings Win-Win for Owners and Tenants

When it comes to financing green initiatives, building owners and tenants often perceive the negotiation process as a zero-sum game of winners and losers, where one party pays while the other benefits. Traditional leasing agreements often create a condition known as “split incentives” between owner and tenant, in which capital improvements that yield energy savings result in one party paying for improvements while the other party receives the benefits of reduced utility costs. (Commonly, building owners pay for retrofits while tenants enjoy the decreased utility costs.) This phenomenon is a major barrier to improvements in the energy efficiency sector: according to a New York City Mayor’s Office survey of commercial property owners, over half of the respondents felt that this problem prohibited them from investing in energy saving retrofits [1]. Green leases – sometimes referred to as aligned leases, high performance leases, or energy efficient leases – are tools to address the asymmetries in the relationships between building owners and tenants to remove this barrier to going green.

Green Leases Workshop at the EEB Hub

In June 2012, the Energy Efficient Buildings Hub (EEB Hub), in conjunction with the Delaware Valley Green Building Council and the U.S. Department of Energy, hosted an EEB Hub Engagement Platform workshop entitled “Addressing Split Incentives in Commercial Buildings: Green Lease Workshop” at the Navy Yard in Philadelphia. This event marked the first time all stakeholders gathered to focus specifically on the issue of green leases.



Images from [video](#) of the Green Leases Workshop “Addressing Split Incentives in Commercial Buildings”

Source: Penn IUR



Speakers at the workshop included representatives from the Institute for Market Transformation, the National Resources Defense Council, the Rocky Mountain Institute, Brandywine Realty Trust, Studley Realtors, the U.S. Department of Energy (DOE), Kaiserman Company, Inc., the Building Owners and Managers Association (BOMA), and Real Win-Win, an energy efficiency service provider.

Participants discussed the need for increased awareness, education, and outreach among owners, tenants, and the brokerage community about the value of green leases. A representative from BOMA [presented](#) on the elements typically covered under a green lease, including a building's green practices, maintenance and repairs, alterations and improvement, and contractor rules and regulations, and emphasized that green leases must be carefully structured to ensure that tenants and owners share in both the risks and rewards of energy efficient investments. Because green leases are not standardized, as traditional leases are, each one must be written individually by professionals familiar with green leasing concepts, adding money and time to leasing transactions.

Available Resources

The workshop organizers shared information, test cases, and examples of successful green leases. Many examples of successful green leases are available from the [Green Lease Library](#) (a joint venture between several non-profits, government agencies, and the EEB Hub), which is a collection of information on green leases that includes well-documented case studies and examples of green lease language. Through its [Commercial Building Energy Alliance](#), the U.S. DOE is developing case studies with empirically established guidance for parties seeking to lower their energy costs and increase building sustainability. The Rocky Mountain Institute and BOMA have together established [A Guide for Landlords and Tenants](#), which is designed to clarify the responsibilities of tenants and owners, and outlines five actionable steps for implementing green leases. This guide is designed to clarify the responsibilities of tenants and owners in improving building energy efficiency. The EEB Hub plans to test various green lease templates to ensure they will work under real-world conditions.

Cities in Action

The National Resources Defense Council's [Center for Market Innovation](#) provides support to New York City's [Mayor's Carbon Challenge](#), which calls upon major tenants to reduce their energy consumption by 30% over ten years. Similarly, the City of Philadelphia has appointed a facilities



task force to examine how green lease concepts can be applied to public buildings to entice public agencies to participate in reducing energy consumption and improving building management. The EEB Hub is taking the steps necessary to move forward: the EEB Hub developed a survey to gauge interest in green leases in the regional retail market and to identify the perceived barriers to green leases. This survey was distributed to building owners, operators, and occupants; the EEB Hub welcomes additional responses from regional stakeholders. The survey is available [here](#).

References

[1] Green Buildings & Energy Efficiency. (2013). The Energy Aligned Clause. PLANYC, from <http://www.nyc.gov/html/gbee/html/initiatives/clause.shtml>.

Hyperlinks

Survey of commercial property owners – Results from the NYC Mayor's office survey of commercial building owners about the split incentive issue, from http://www.nyc.gov/html/gbee/downloads/pdf/eac_overview.pdf

BOMA presentation – BOMA presentation at the Green Lease Workshop, from http://www.eebhub.org/media/files/BOMA_green_lease_presentation.pdf

Green Lease Library – green lease library website, from <http://www.greenleaselibrary.com/>

Commercial Building Energy Alliance – CBEA site, from <http://www1.eere.energy.gov/buildings/commercial/cbea.html>

Guide for Landlords and Tenants – RMI and BOMA guide, from http://www.rmi.org/cms/Download.aspx?id=6332&file=2012-05_GuideForLandlordsTenants.pdf&title=Working+Together+for+Sustainability%3a+The+RMI-BOMA+Guide+for+Landlords+and+Tenants



Center for Market Innovation – Natural Resources Defense Council’s Center for Market Innovation site, from

<http://www.nrdc.org/greenbusiness/cmi/>

Mayor’s Carbon Challenge – Information about the challenge, from

<http://www.nyc.gov/html/gbee/html/initiatives/carbon.shtml>

Survey Link – EEB Hub’s Green Lease survey, from

https://pennstate.qualtrics.com/SE/?SID=SV_2sG8xI3ANmOHM8d