



AUGUST 21-23, 2018 • CLEVELAND, OHIO

# The Power of the Pen:

Leasing Best Practices for Energy Efficiency



# Today's Panel

## ***Moderator:***

- Alexandra Harry – Institute for Market Transformation (IMT)

## ***Speakers:***

- Christopher Oftedal – Weingarten Realty
- Will Teichman – Kimco Realty Corporation
- Cindy Jacobs – U.S. Environmental Protection Agency (EPA)

# Power of the Pen Leasing Best Practices

Alexandra Harry  
Institute for Market Transformation  
Better Buildings Summit  
August 23<sup>rd</sup>, 2018



# About the Institute for Market Transformation (IMT)

## Mission

**Catalyze  
widespread  
and sustained  
demand for  
high-  
performing  
buildings**



## Vision

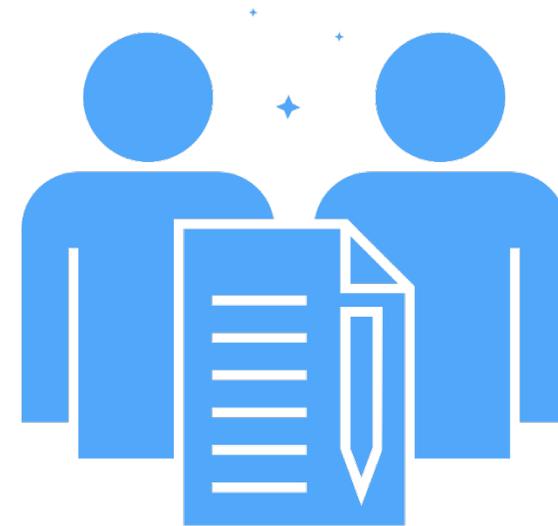
**A world in which  
buildings are efficiently  
and positively  
transforming our  
physical, social, and  
economic wellbeing**



# What is a Green Lease?

**Aligns the financial and environmental goals of landlords and tenants to work together to save money, conserve resources, and ensure the efficient operation of buildings.**

- Potential to reduce energy consumption in an office building by 11-22%.
- Can reduce utility bills by up to \$0.51 per square foot



# Uses and Benefits

## Benefits



**LOWER OPERATING EXPENSES**



**INCREASED OCCUPANCY  
AND BASE RENTS**



**EMPLOYEE ATTRACTION  
AND RETENTION**



**ASSISTANCE MEETING CORPORATE  
SUSTAINABILITY GOALS**



**IMPROVED EMPLOYEE COMFORT,  
HEALTH, AND PRODUCTIVITY**



**COMPLIANCE WITH CURRENT  
AND FUTURE REGULATIONS**

# Recognizing Leaders in the Field



**GREEN LEASE LEADERS**  
CREATING SUSTAINABLE LANDLORD-TENANT RELATIONSHIPS

## **Since 2014, Green Lease Leaders has:**

- Defined best practices in green leasing and addressed the “split incentive” barrier
- Recognized tenants, property owners, and brokers that represent 1.8 billion square feet of commercial, industrial, and retail space who meet the Green Lease Leaders standard

# 2018's Green Lease Leaders



## GREEN LEASE LEADERS

CREATING SUSTAINABLE LANDLORD-TENANT RELATIONSHIPS



# Learn More

**GREEN LEASE  
LIBRARY**

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

Green Lease Library



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

Green Lease Leaders

[www.imt.org](http://www.imt.org)

# Thank You!

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# Weingarten Realty

**WEINGARTEN  
REALTY**



**green**   
**FORWARD.**

**Green Leases**  
2018 Better Buildings Summit



## Weingarten Realty - Green Forward Program





Weingarten Realty's principals in Corporate Responsibility embrace achieving success in ways that honor and respect people, communities and the environment.

## Awards and Acknowledgements:

### 2016 REME Award Finalist

Finalist in the category of Best Sustainability Program. WRI was one of only 5 finalists in this category



### Green Lease Leader

Named a Green Lease Leader at the U.S. Dep. of Energy's (DOE) Better Buildings Summit

### GRESB Survey Participant

Increased GRESB score each year of submission.



### IREM Certified Sustainable Property

Centerwood Plaza (Bellflower, CA) has been recognized as an IREM Certified Sustainable Property

## People

By promoting healthy lifestyles for associates and their families, we believe we are building a strong and healthy workforce. Weingarten's Award Winning Wellness Program includes exercise challenges, nutrition consultation, financial seminars and much more.



## Communities

Weingarten's annual philanthropy campaign benefitting United Way raises over \$150,000 for the communities we serve. Weingarten Realty also supports causes that are important to our associates, often matching what they raise individually. Organizations backed include:



## Environment

Weingarten Realty recognizes that environmental responsibility is both an obligation and an opportunity to benefit our patrons, tenants, investors and the property as a whole. Areas of focus include Recycling, Energy Management, Water Management and Alternative Transportation.



## View our first annual Corporate Sustainability Report at

[www.weingarten.com/about/GreenForward.aspx](http://www.weingarten.com/about/GreenForward.aspx)





Green Leases



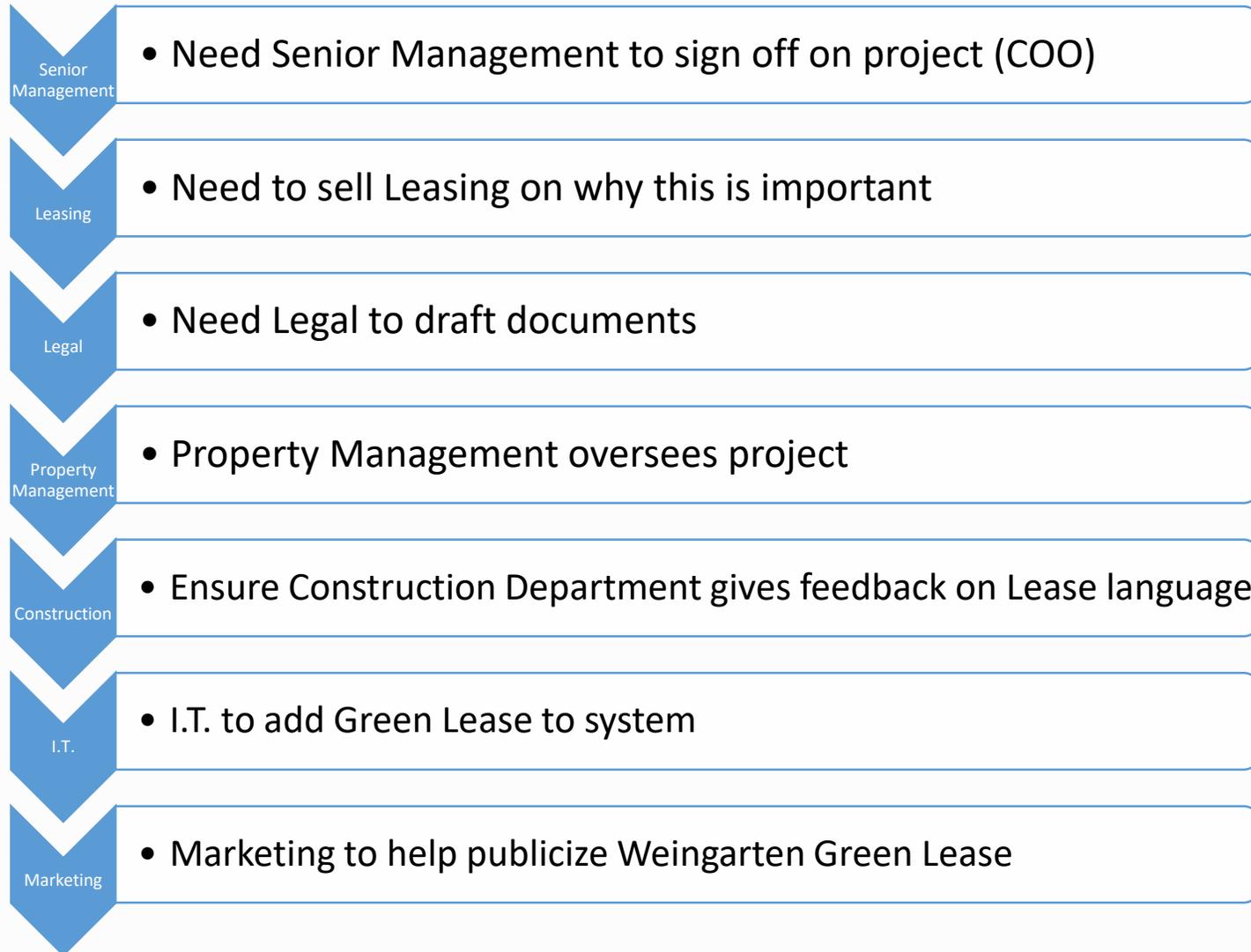
In late 2013, Weingarten Realty made it a goal to create a Green Lease by the end of 2014

- What are our objectives?
- Who are the key Stakeholders that should be involved?
- Drafting the Green Lease
- Green Lease roll-out
- Challenges along the way
- Future goals

## OBJECTIVES

- Develop a Green Lease that is not overly-complicated, but achieves the goal of aligning Landlord and Tenant sustainability interests
- Develop a Green Lease that can be used in different parts of the country
- Develop a Green Lease that conforms to the Green Lease Leader criteria
- Develop a Green Lease that is standardized and does not involve much negotiation
- Understand what language is critical vs what is overreaching and burdensome to Tenant
- Develop a Green Lease that is embraced by Leasing

# Green Leases- Key Stakeholders



- Create two (2) versions of Weingarten's Short Form (LD) Lease
  - LD Lease
  - Green LD Lease
- Identify appropriate language to incorporate
  - Align with IMT Green Lease Leader criteria



Prerequisite:

- Tenant cost recovery clause that can be used for energy efficiency related capital projects\*

Plus, the following:

- Provision requiring regular scheduled tenant disclosure of utility data to facilitate whole-building energy benchmarking.\*
- Minimum standards and/or tenant improvement specifications for energy efficiency. (For example, "Tenant improvements will conform to LEED C.I. standard or better." "Tenants will install ENERGY STAR appliances only." This may also cover items like lighting specification or available plug load watts per square foot.)\*
- Submetering of tenant spaces or separate metering of tenant plug load and equipment, including data centers. Ideally tenants are billed according to actual use rather than on a pro-rata basis.\*

\*Institute for Market Transformation

# Green Leases- Drafting the Green Lease (Cont.)

1. **Prerequisite:** Tenant cost recovery clause that can be used for energy efficiency related capital projects.

Landlord shall have the right, but not the obligation, to alter, replace or improve the Leased Premises and/or the buildings in the Shopping Center (and/or any components thereof) to reduce operating costs for the Shopping Center, energy or water consumption and/or greenhouse gas emissions, improve operational efficiency and sustainability, obtain or maintain certification from any third-party green building certification [such as, by way of example and not limitation, the Leadership in Energy and Environmental Design Existing Building Operations and Maintenance certification ("LEED EBOM")] (hereinafter, "Green Improvements"). The cost of any Green Improvements shall be included in Landlord's Common Area operating costs for which Tenant shall be obligated to pay the Common Area Payment (as more particularly provided in Section 20.02). Landlord shall be entitled to all tax credits, carbon credits and other such credits or entitlements ("Green Credits") that may be created, credited or recoverable because of energy savings or other sustainability activities conducted in the Shopping Center or the Leased Premises, excluding Green Credits to which Tenant is entitled in accordance with applicable law. Landlord shall be entitled to allocate, in Landlord's sole discretion, any Green Credits created with the participation of Tenant and/or other tenants of the Shopping Center.

2. Plus, the following:

- a. Provision requiring regular scheduled tenant disclosure of utility data to facilitate whole-building energy benchmarking.

Within ten (10) days after written request from Landlord, and within (30) days after the end of each calendar year, Tenant will deliver to Landlord data (in form reasonably acceptable to Landlord) documenting Tenant's consumption of water, sanitary sewer, gas, electricity and other utilities used in the Leased Premises. Further, Tenant shall authorize all applicable utility companies to release such information to Landlord, upon Landlord's request. Tenant's obligations under this paragraph shall survive the expiration or earlier termination of the Lease.

- b. Minimum standards and/or tenant improvement specifications for energy efficiency. (For example, "Tenant improvements will conform to LEED C.I. standard or better." "Tenants will install ENERGY STAR appliances only." This may also cover items like lighting specification or available plug load watts per square foot.)

Tenant shall, at Tenant's sole cost and expense, install and use high-efficiency, ENERGY STAR-rated (or equally efficient) equipment and appliances in the Leased Premises (hereinafter, "ENERGY STAR Requirement"). Within ten (10) days of written request, Tenant shall deliver to Landlord documentation regarding the equipment and appliances installed in the Leased Premises (in form reasonably acceptable to Landlord) in order to verify that such equipment and appliances meet the foregoing ENERGY STAR Requirement.

- c. Submetering of tenant spaces or separate metering of tenant plug load and equipment, including data centers. Ideally tenants are billed according to actual use rather than on a pro-rata basis.

NOTE: VERIFY THAT THE LEASED PREMISES IS SEPARATELY METERED (OR SUBMETERED) FOR ALL UTILITIES. IF THE LEASED PREMISES IS NOT SEPARATELY METERED (OR SUBMETERED), THEN THIS LEASE WILL NOT BE COUNTED AS A "GREEN LEASE".

Notwithstanding the foregoing, as of the date hereof, all water, sanitary sewer, gas, electricity and other utilities used in the Leased Premises are separately metered (or submetered).

Legal, PM, and  
Leasing approve  
new Lease language



## INITIAL ROLLOUT CRITERIA

- Green LD Lease finalized by Legal and blessed by Senior Management
- I.T. uploads into leasing database
- Florida initial pilot region
- Tenants under 10,000 SF
- Focus first on “Mom and Pop” Tenants
- All LE’s trained on new Green LD Lease process
  - This included presentation on what language goes into a Green Lease and how this language benefits both Landlord and Tenant





## NEWSLETTER

>>> SPRING 2015

### Weingarten Realty Signs First “Green Lease”

The Green Team is pleased to announce that in December of 2014, Weingarten signed its first “Green” Lease in Florida. Green Leases include language that mandate tenants to implement best practices in regards to sustainability, including the installation of Energy Star compliant equipment. In addition, the Green Leases require tenants to comply with utility reporting mandates that assist the Weingarten with tracking their sustainability initiatives. If it is decided that a particular property will implement a “green” initiative, such as LED parking lot lights, cool roof, etc., a Green Lease mandates that the tenant participate in the cost recovery.

We have already signed an additional (4) Green Leases in 2015. This qualifies Weingarten to submit for the coveted Green Lease Leader Recognition Program. This program recognizes real estate companies who include their sustainability initiatives into the tenant leases. We hope to hear soon if we were awarded this designation.

Special thanks to Steve Weingarten, Karl Brinkman, and the Southeast Regional Leasing Team for being the Green Lease Guinea Pigs for the company. The Southeast Region kindly volunteered to be the pilot region for the company. It is the Green Team’s goal to roll this initiative out to the rest of the regions in the near future.



LD Green Lease/NT/jy  
12/28/2017

RET GREEN LD LEASE-FL

JAN - 9 2018

BU 21985 L-

## LEASE CONTRACT

"THIS LEASE CONTRACT" entered into by and between "Landlord" and "Tenant" on this the 3<sup>rd</sup> day of January, 2018, in accordance with the terms and conditions hereinafter set forth.

WITNESSETH:

### ARTICLE I. BASIC PROVISIONS AND CERTAIN DEFINED TERMS

When used herein, the following terms shall have the indicated meanings:

1. "LANDLORD": Weingarten Realty Investors  
"NOTICE ADDRESS": P.O. Box 924133, Houston, TX 77292-4133, Attn: General Counsel
2. "TENANT": [REDACTED]  
"TENANT'S TRADE NAME": [REDACTED]  
"NOTICE ADDRESS": [REDACTED]
3. "GUARANTOR": [REDACTED]  
  
"GUARANTOR": [REDACTED]
4. "LEASED PREMISES": Approximately 1,200 square feet constituting part of the Shopping Center as shown on Exhibit "A".

## Challenges

- Selling idea to Senior Management and allocation of resources
- Ensuring Leasing does not see Green Leases as a lease impediment
- Negotiations with sophisticated/national tenants
  - Why does Landlord need this info?
  - How does it benefit Tenant?
- Enforcement of new lease language
- Rolling form out to other regions



## Future Goals

- **Add language to renewals/amendments**
- **Roll-out to all regions**
- **Add additional language as needed**
- **Start to roll-out to national tenants**
- **Commence proper enforcement**



# Kimco Realty Corporation



## Leasing Best Practices for Efficiency

Will Teichman  
Sr. Director of Strategic Operations

# KIMCO SNAPSHOT



- Kimco Realty Corporation
- 50+ year old Real Estate Investment Trust (REIT)
- One of North America's largest owners and operators of open-air shopping centers
- 545 employees, headquartered in New Hyde Park, NY
- NYSE: KIM, S&P 500 Index
- Launched formal sustainability program in 2011

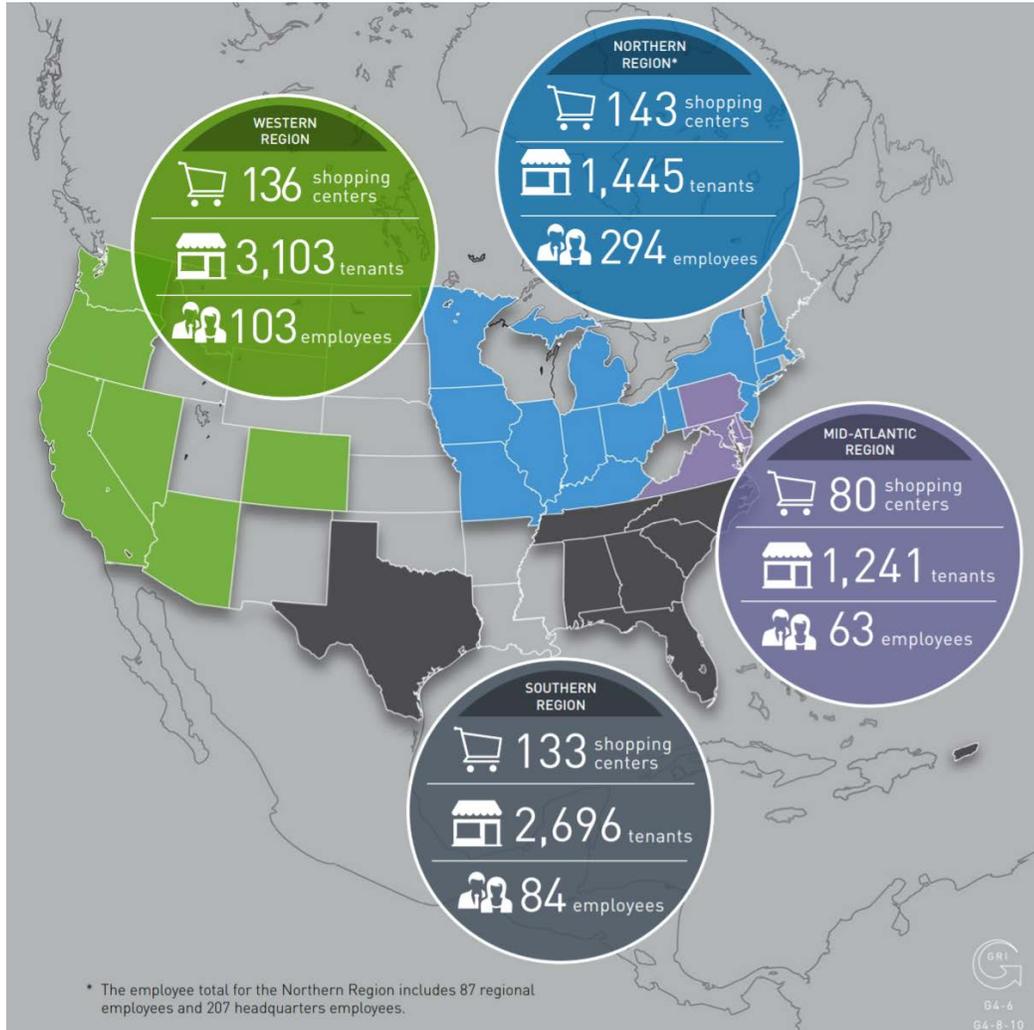


MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM



# NATIONAL PORTFOLIO, LOCALLY MANAGED

475 shopping centers (81 million square feet) across the top U.S. metropolitan markets:

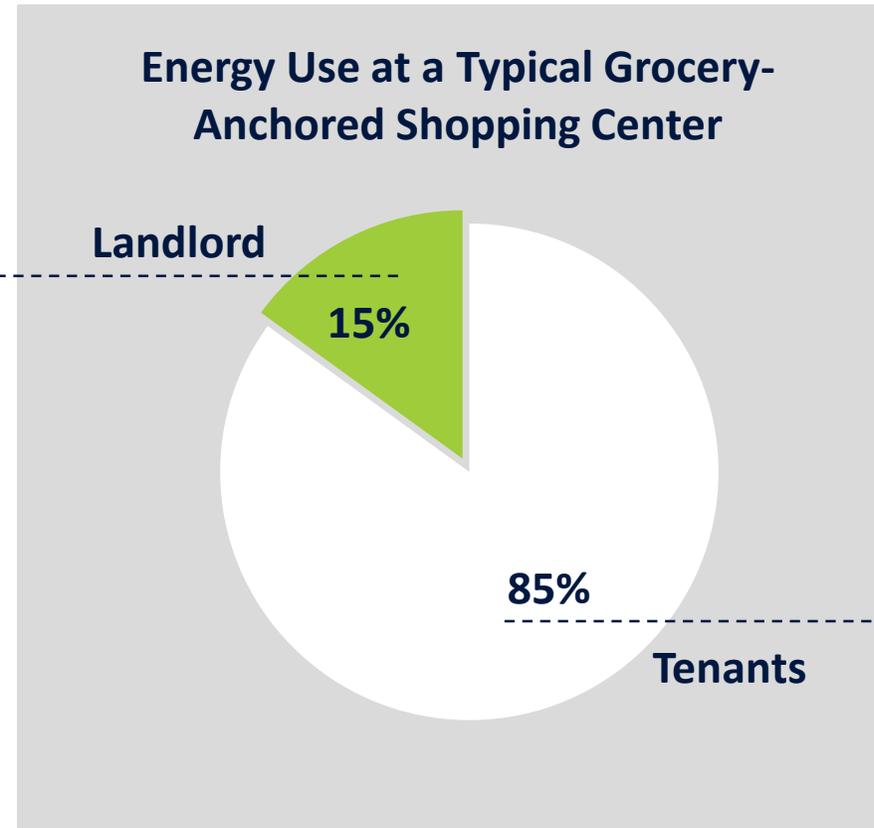


Over 8,000 leased tenant spaces, including:



# INDUSTRY CONTEXT: RETAIL ENERGY USE

- Manages “common areas”
- Pays for capital improvements, electric & water costs to operate these areas
- In a typical triple net lease, “passes through” common area utility expenses for tenant reimbursement



- Manages interior leased space
- Pays for capital improvements during lease term. Responsibility for construction costs varies by deal
- In shared meter situations, landlord pays utility charges and bills a share to each tenant user (methods vary)

# DRIVING SUSTAINABILITY IN OUR BUSINESS

Issues

Energy & Emissions



Water



Waste



Building Materials



Approach

Measurement



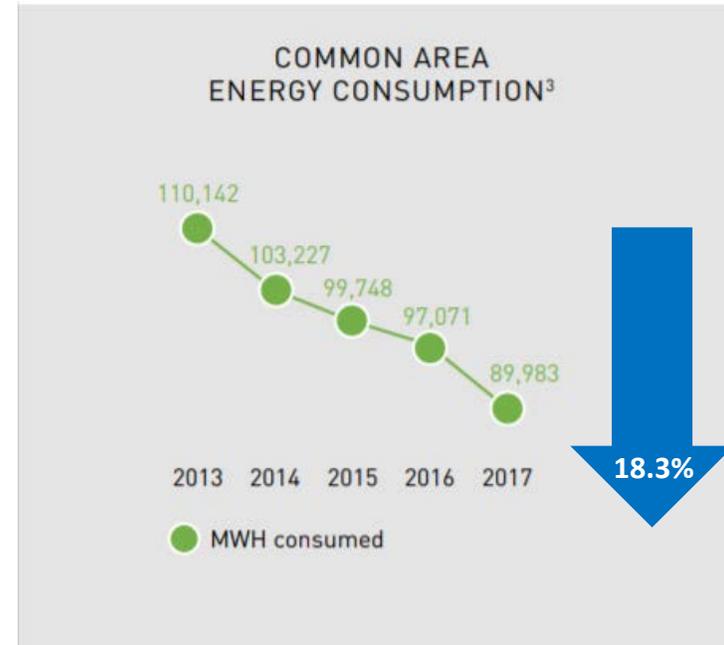
Operations



Retrofits



Engaging Tenants



# CASE STUDY: FIXED CAM



## Pain Point:

- Pass-through nature of common area utility expenses means savings from retrofits are captured by tenants (while landlord bears part or all of capital project cost)

## Solution:

- Negotiate a fixed PSF rate for common area reimbursement in new & renewing leases
- Landlord is incentivized to invest in retrofits and more effectively manage operating expenses
- Tenant achieves cost certainty and can focus on running a successful retail business

## Progress to Date:

- ~20% of all leases converted since 2016, including a mix of national and local/regional tenants
- Global discussions with several multi-site anchors to convert entire Kimco population of leases to Fixed CAM
- Significant reduction in billing and collections workload
- Multiple large-scale retrofit programs in progress – building controls, LED lighting & irrigation



# CASE STUDY: CONSTRUCTION STANDARDS



## Pain Point:

- Lack of standards can lead to missed sustainability opportunities during the tenant build-out process
- Generally, low appetite to increase deal costs

## Solution:

- Create a national spec for a greener “white box”, with two levels:

**Base:** Low/no cost sustainable measures. Energy Star® & Water Sense® products are standard

**Premium:** Increased lighting & HVAC specs designed to pay back within typical 5-yr lease term

	Base	Premium (LEED Ready)
Exterior Storefront & Signage	●	
Exterior Service Door	●	
Water and Gas Metering	●	
Demising/Corridor Partitions	●	
Ceiling System	●	
Floor Slab/Flooring	●	
Restroom	●	
Restroom Fixtures	●	
Paint	●	
Electrical & Lighting	●	○
Mechanical HVAC System	●	○
Fire Alarm	●	
Life Safety System	●	
Fire Protection System	●	
Roof Penetration	●	
Telephone Conduit	●	

● Environmentally preferable base criteria

○ Enhancement to base criteria

# CASE STUDY: SUB-METERING



## Pain Point:

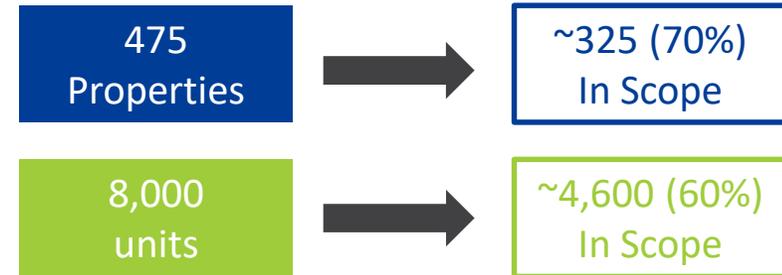
- Shared meters are common at retail properties due to cost considerations, utility norms, etc.
- Pro-rata share billing leads to inequitable billing and disincentivizes tenant utility savings

## Solution:

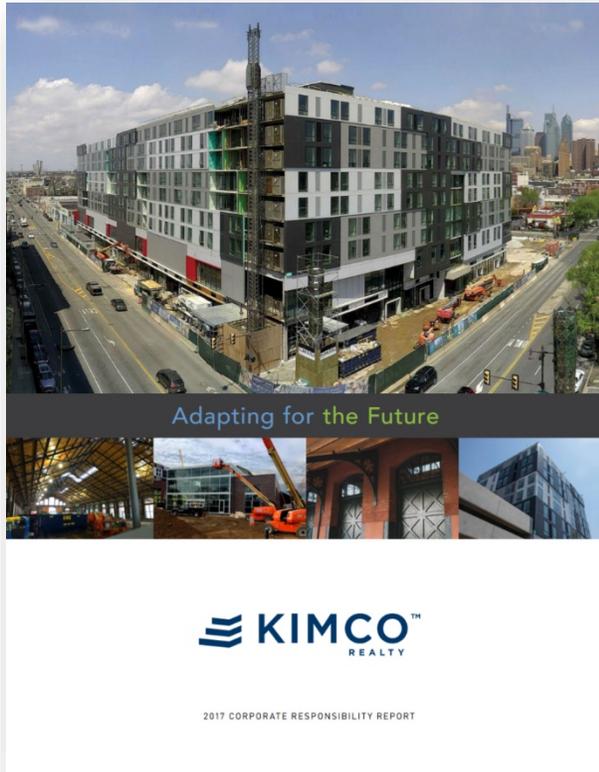
- Sub-meter each tenant space
- Tenants receive transparency and are incentivized to save
- Landlord eliminates disputes, dramatically improving AR collections

## Kimco Commitment:

Sub-meter 100% of tenant electric, gas & water by YE 2018.



# FOR MORE INFORMATION



## Corporate Responsibility Site

<http://kimcocr.com>

## 2017 Corporate Responsibility Report

<https://eu2azurecdn.blob.core.windows.net/kimcorealty-com/site/webfiles/documents/1/1023/1023.pdf>

## Contact Info:

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# U.S. Environmental Protection Agency



# ENERGY STAR Tenant Space: Charter Tenant Pilot

Cindy Jacobs

Better Buildings Summit

August 23, 2018



# The biggest little label in energy efficiency



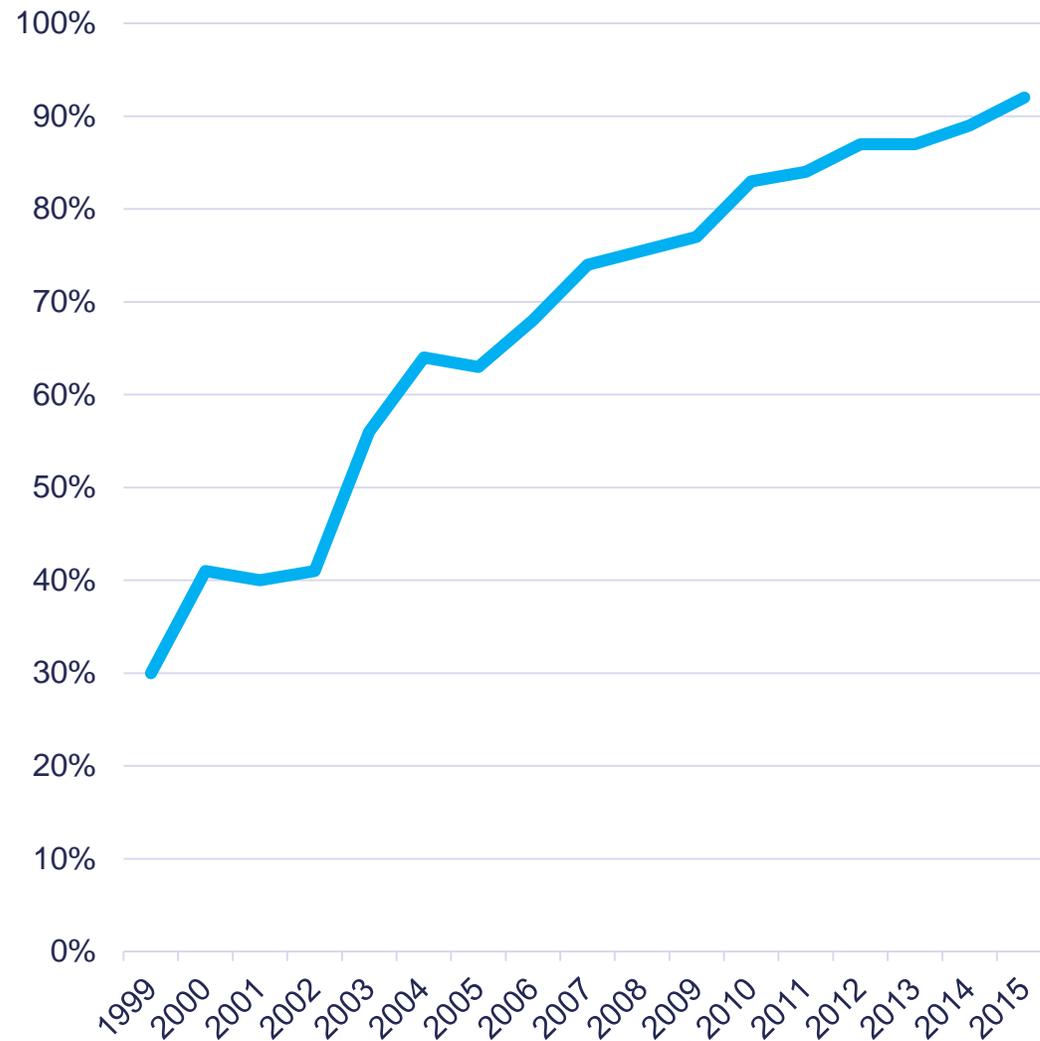
5.8 billion  
products

32,000  
buildings

190  
industrial  
plants

1.9 million  
homes



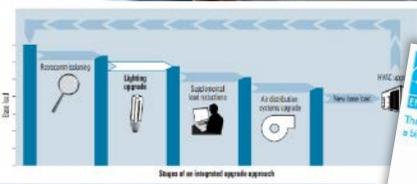


Recognized by  
more than **90%**  
of Americans



# ENERGY STAR for Buildings

Voluntary EPA program that delivers environmental benefits and financial value through superior energy efficiency



# Background on ENERGY STAR Tenant Space

- *Energy Efficiency Improvement Act of 2015* directed EPA to develop recognition for energy efficient commercial tenant spaces (aka “Tenant Star”)
  - Design & Construction (D&C)
  - Occupancy-Based
    - Modeled on 1-100 ENERGY STAR score for whole buildings
    - Requires data collected by Energy Information Administration, not available for several years
- In 2016, EPA proposed D&C recognition criteria
  - Gathered comments (in writing and via meetings)
  - Determined that criteria could be adapted for occupied spaces

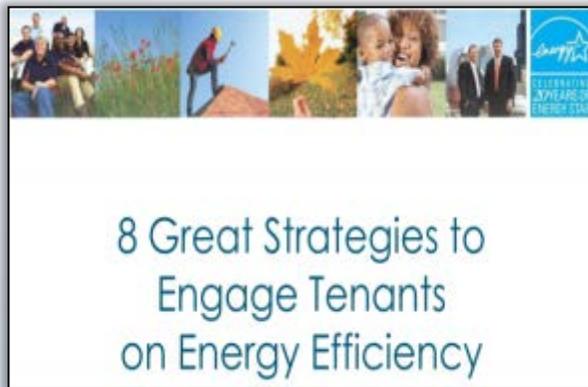
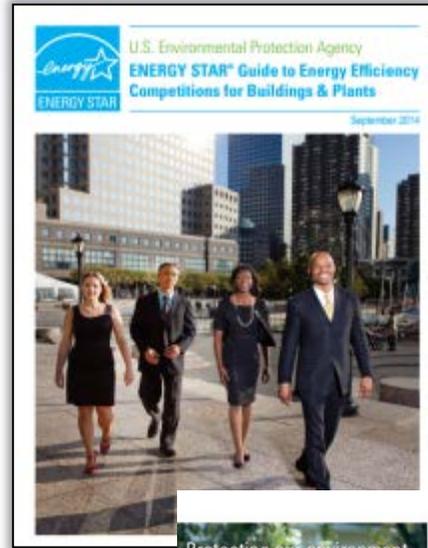
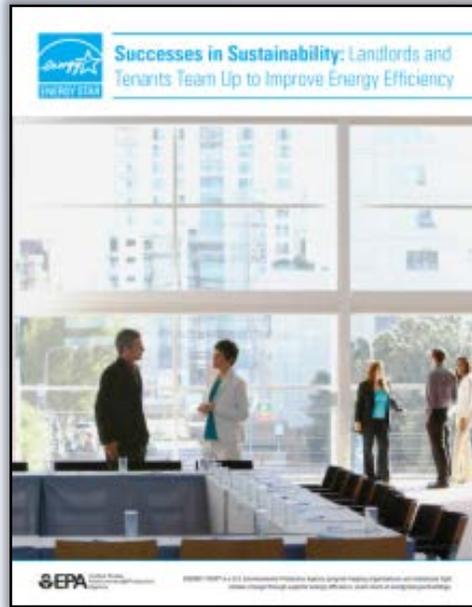
# Why Commercial Tenants?

- Whole building energy performance depends on:
  - Continuous energy management and measurement
  - Efficient equipment and systems integration
  - Controls and occupant behavior
- Office tenants typically responsible for majority of energy use (estimates range from 50-80%; higher in retail and warehouse)
- Good base building systems important, but tenant investments and operations are critical to performance
- Tenants increasingly interested in sustainability
- Owners looking for ways to engage tenants to earn certification and improve performance

# Barriers

- Split incentive limits investment
- Historically hands-off landlord-tenant relationship
- Lack of information on best efficiency options
- Not easy to determine what an efficient tenant space looks like
- Without sub-metering, difficult to gauge efficiency

# Existing ENERGY STAR Resources for Tenants



## Gaps:

- Performance benchmarks
- Recognition

# Recognition Pilot: Charter Tenants

- Launched in fall of 2017 with office tenants -- “Charter Tenants”
- EPA worked with Charter Tenants (and landlords where involved) to test concept and implementation
  - Held series of webinars and one-on-one discussions with several Charter Tenants
  - Created web pages, online tools and guidance documents
- More interest than anticipated
  - Over 140 spaces started in pilot
  - Close to 50 have completed all the steps for ENERGY STAR Charter Tenant Space recognition

# Charter Tenant Steps to Recognition

- Meet 5 criteria
  1. Estimate Energy Use
  2. Meter
  3. Light Efficiently
  4. Use Efficient Equipment
  5. Share Data
- Have a Professional Engineer or Registered Architect verify the information and stamp the application
- Submit the completed, stamped application to EPA

Criterion	Value	Pilot Requirement and Results
Estimate Energy	Establish practice; placeholder for eventual benchmark	Use pilot-scale web tool (developed in collaboration with DOE)  <i>Worked well for pilot; assessing results</i>
Meter	Enables measurement and ability to track improvement	Verify meters in place  <i>Worked well; more guidance needed</i>
Light Efficiently	Key way tenants can reduce energy use; performance-based metric	Conduct lighting inventory and test pilot-scale web tool  <i>Additional analysis and testing of metric needed</i>
Use Efficient Products	Plug load is growing energy use; many high efficiency options	Complete equipment inventory  <i>Assessing option; inventory was just for pilot, to gather data</i>
Share Data	Allows whole building benchmarking, landlord engagement	Create Portfolio Manager account  <i>Worked well</i>

# Congratulations!

- Automatic Controls Company, Inc.
- CodeGreen Solutions
- COOKFOX Architects
- CRB
- Cushman & Wakefield
- DOE Office of Legacy Management
- DNV GL Energy
- Empire State Realty Trust HQ
- Event Network, LLC.
- Forest City Realty Trust, Inc.
- Harvard Pilgrim Health Care
- Hines (East & Midwest Regions)
- HKS, Architects
- HNTB Corporation
- JCDecaux
- JLL
- JPMorgan Chase
- Kilroy Realty Corporation
- LaSalle Investment Management
- Legrand NA
- LinkedIn
- MG2 Corporation
- Related Companies
- Robert A.M. Stern Architects
- Rocky Mountain Institute
- Samsung Electronics America
- Salesforce
- Satori Energy
- Servidyne, LLC
- Shorenstein
- Skanska USA
- TowerPinkster
- Ventas, Inc.
- Verizon
- Wells Fargo
- Zeal Optics



2018 ENERGY STAR®  
CHARTER TENANT SPACE  
This space has been verified  
to meet energy design criteria  
set by the U.S. EPA

# Sample of Comments Received

- I am so grateful to have been part of the Pilot Program. It was a wonderful experience. I learned so much. It was the first time I worked so closely with a Federal program.
- Keep up the good work! Tenant spaces are notorious for not having incentives for energy improvements. This is a great step in the right direction!
- Can't wait to push this out to our tenants!
- Great to have this program off the ground and glad to provide additional advise as needed.
- Since our space was sub-metered at the impetus of the Charter Tenant program... lighting has dropped dramatically.

# Next Steps

- Assess results of pilot and determine effort needed for market-scale recognition
- Work with NREL and PNNL (thanks to support from DOE) to improve and refine analysis
- Stay tuned at [www.energystar.gov/tenantrecognition](http://www.energystar.gov/tenantrecognition) for updates

Questions?

# Contact Information

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