

Green Leasing as Part of a Sustainable Tenant Fit-out: Tenant Energy Optimization Program and Green Lease Leaders Program

Tenant space leasing and tenant fit-out processes are integral parts of any landlord-tenant relationship and present an opportune time to integrate sustainability into a leased space. The Urban Land Institute's Tenant Energy Optimization Program (TEOP) and the Institute for Market Transformation (IMT) and U.S. Department of Energy's (DOE) Green Lease Leaders program present complementary opportunities to help landlords and tenants overcome the split incentive and collaboratively integrate energy efficiency and sustainability into leasing and fit-out.

SPLIT INCENTIVE CHALLENGE



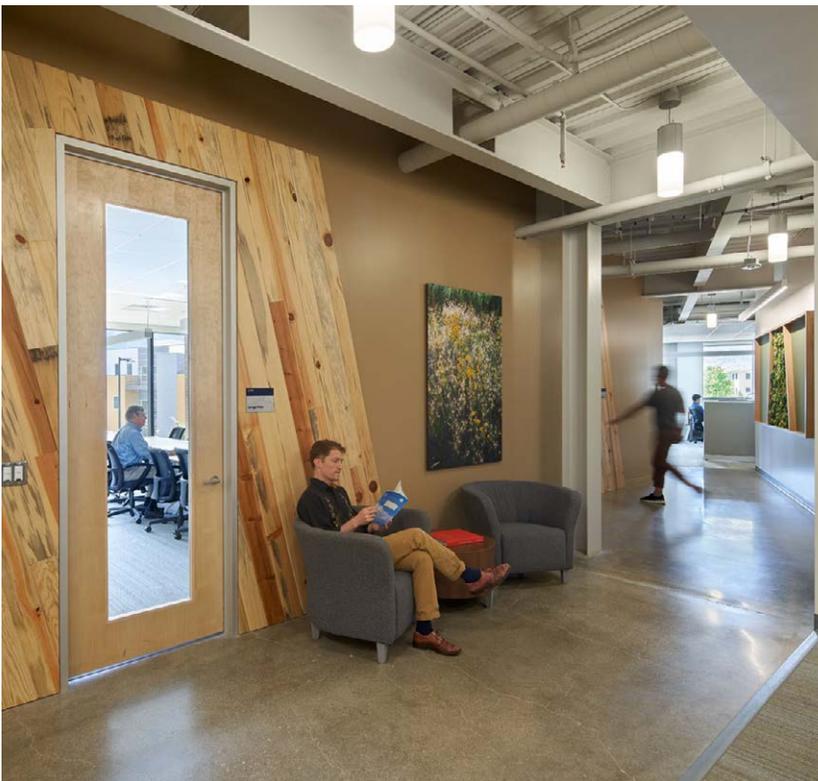
THE OWNER

Wants to make their building more energy-efficient. But if the owner pays for upgrades, why should tenants get all the benefits at no cost?



THE TENANT

Wants to be more energy-efficient, but pays a flat rate for utilities by the square foot. So they have no incentive to use less energy.



Green Lease Leaders

Green Lease Leaders is a national recognition and education program honoring landlords, tenants, and partnering real estate practitioners that incorporate green leasing to drive high-performance and healthy buildings. Those so honored encompass a range of businesses in the commercial, retail, industrial, information technology, and multifamily sectors.

Developed by IMT with support from DOE's Better Buildings Alliance, the Green Lease Leaders program works to:

- Define best practices in green leasing and remove the split-incentive barrier
- Spotlight property owners, tenants, brokers, attorneys, and real estate teams that meet the Green Lease Leaders standards
- Provide free technical support and resources to the real estate market
- Create higher-performing building solutions that mutually benefit landlords and tenants

The Green Lease Leaders program provides advice, templates, and more that guide tenants, landlords, and brokers through the best practices in green leasing and offers recognition for meeting the parameters. Ensuring that energy efficiency is a focus of the leasing process, Green Lease Leaders sets the standards for transforming a traditional lease across nearly all sector types. Over 4.3 billion square feet of commercial and government space is covered by the Green Lease Leaders program.

A green lease compliant with this program meets these requirements:

- Integrates priorities of both parties
- Prioritizes the environment, health, and wellness
- Establishes a sustainability point of contact
- Defines how building and tenant space will operate
- Enables the ability to report progress



Tenant Energy Optimization Program

The ULI's TEOP process walks tenants and their teams through a 10-step process that helps leased spaces achieve deep energy and financial savings. From pre-lease, through design and construction, to post-occupancy, following the TEOP 10 steps ensures that energy efficiency is cost-effectively included from the beginning to end of a fit-out process.

TEOP 10-STEP PROCESS FOR AN ENERGY EFFICIENT OFFICE FIT-OUT

PHASE I: PRE-LEASE



Step 1: Select a team



Step 2: Baseline and benchmark assets and units

PHASE II: DESIGN AND CONSTRUCTION



Step 3: Set utility use and performance goals for residential units



Step 4: Model utility reduction options



Step 5: Calculate projected financial returns



Step 6: Make final decisions



Step 7: Develop a resident occupancy maintenance and operations plan



Step 8: Retrofit the unit(s)

PHASE III: POST-OCCUPANCY



Step 9: Execute the resident occupancy maintenance and operations plan



Step 10: Communicate results

Complementary Programs

Many of the Green Lease Leaders program requirements and the TEOP 10 steps are complementary; the crossover addresses similar areas of landlord-tenant collaboration. A green lease, after all, can stipulate requirements of a sustainable fit-out as well as details of post-occupancy operations—both of which are key aspects of TEOP. The tables below explain how the programs can work together to offer a robust roadmap for landlord-tenant energy efficiency achievements.

Program Parameters

Parameters	Tenant Energy Optimization Program	Green Lease Leaders
Audience	Tenants, landlords, service providers	Tenants, landlords, service providers
Building types	Office, multifamily	Office, multifamily, industrial, retail, data centers, health care
Requires landlord-tenant collaboration	✓	✓
Helps meet corporate goals and mandates carbon-reduction goals	✓	✓
Supports cost-effective, sustainable tenant spaces	✓	✓
Offers recognition		✓

Green Lease Leaders and TEOP Step-by-Step Crossover in a Tenant's Lease Lifecycle

Tenant lease lifecycle	Step	TEOP	Green Lease Leaders
PRE-LEASE	Select a team	✓	✓
	Use a site selection questionnaire that assesses building performance and sustainability features to select a space	✓	✓
LEASING	Provide a sustainability contact and/or information		✓
	Stipulate minimum efficiency standards for buildout	✓	✓
	Accept cost recovery clauses		✓
	Communicate energy management best practices to be implemented	✓	✓
	Establish mechanisms for data transparency such as installing submeters and/or request regular disclosure of building performance throughout occupancy		✓
FIT-OUT DESIGN AND CONSTRUCTION	Set and communicate goals	✓	✓
	Model energy use	✓	
	Integrate efficient equipment and lighting in the buildout	✓	✓
	Formalize landlord-tenant energy management best practices	✓	✓
POST-OCCUPANCY	Benchmark energy use	✓	✓
	Establish regular communications between landlord and tenant to report performance	✓	✓
	Earn recognition		✓

[Click Here](#) to learn more about the Tenant Energy Optimization Program

[Click Here](#) to learn more about the Green Lease Leaders