

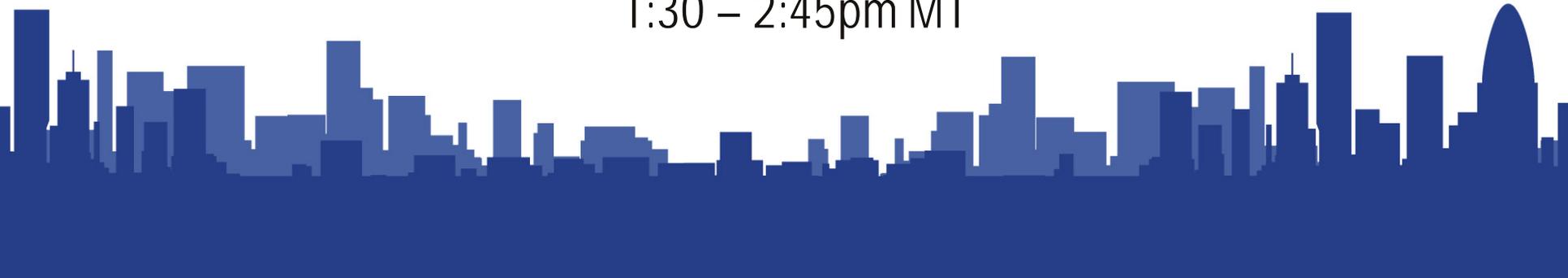


2013 Efficiency Forum – Project Team Breakout I Market Solutions

"Update on "Green" and Energy-Aligned Leasing"

May 29, 2013

1:30 – 2:45pm MT



Introducing Our Panelists

Deborah Cloutier

Principal
JDM Associates



Adam Sledd

Program Manager, Green
Leasing
Institute for Market
Transformation



Marla Thalheimer

Director of Sustainability
Liberty Property Trust



Adam Seigel

Vice President,
Sustainability and Retail
Operations
RILA



Fundamentals of Green Leasing

- ▶ Shared objective of landlord and tenant to improve efficiency/sustainability of the building
- ▶ Sufficient information and motivation to make the building more efficient
- ▶ Support current practices to maintain energy efficient and sustainable building certifications and programs

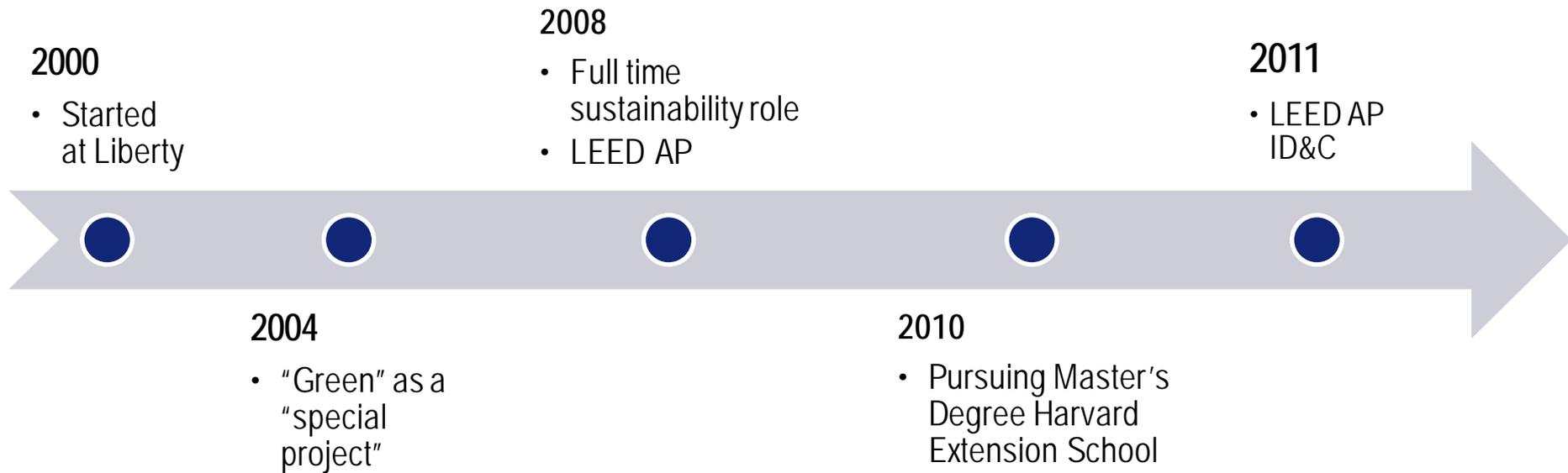
Common elements:

- ▶ Tenant cost recovery clauses for capital improvements, operating expense escalation, and consulting and certification fees
- ▶ Disclosure of monthly utility consumption data to facilitate whole-building benchmarking
- ▶ Sustainable operations and maintenance building rules and regulations - efficiency standards for new installations, replacements, and maintenance
- ▶ Tenant improvement specifications
- ▶ Submetering of tenant spaces or separate metering of tenant plug load and equipment
- ▶ Maximum energy usage (i.e., for office space - less than 2 watts per square foot) dependent on intended usage of space

- ▶ Large publicly-traded office and industrial REIT
- ▶ 20 regional markets
- ▶ 80 million square feet of office and industrial properties
- ▶ A key corporate strategy to be a leader in sustainability and “High Performance” Buildings
- ▶ 60 LEED Projects Completed or Under Construction
 - ▶ 10.5+ million square feet
- ▶ 109 Energy Star Buildings Certified
 - ▶ 13+ million square feet
 - ▶ Average Portfolio Score 75
 - ▶ 21% Energy Savings



My Journey to DOS



- Development and oversight of corporate sustainable strategy
- Work with senior management to determine:
 - What is the right direction for the portfolio that creates the most value?
 - Establish goals and objectives
- Develop plans and tools to help us ensure we achieve our goals, while adding value

Sustainability Strategy Goals

- ▶ To have a High Performance portfolio
- ▶ To improve the efficiency of the portfolio year over year and to have an Energy Star average of 75+
- ▶ To integrate sustainable business practices into our core business operations and decision making process



Green Lease: Why and How?



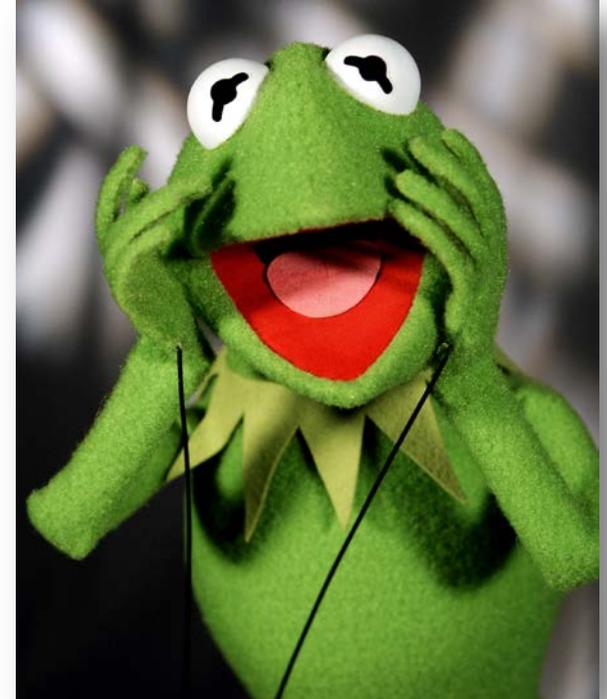
- ▶ Downturn in economy forced a focus on the existing building stock and sustainable operations
- ▶ We realized we couldn't meet our long term goals without tenant participation
- ▶ Research!
- ▶ Prioritized based on goals
- ▶ Incorporated within document vs. separate section
- ▶ Late 2010 finalized basic language for 5 areas
 - 2011 implemented in Standard Office Lease
 - 2012 implemented in Standard Industrial Lease

Green Lease Provisions

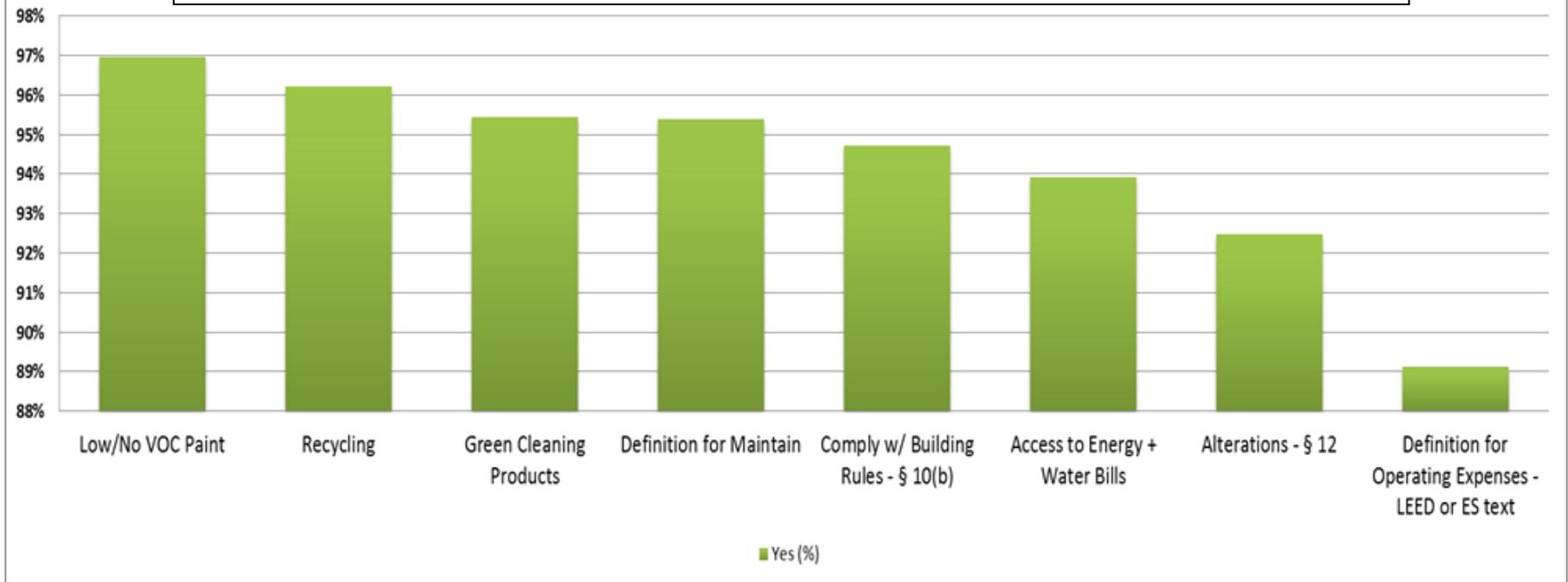
- ▶ Compliance:
 - Tenant will comply with building rules . . . which may be changed from time to time . . . To promote energy efficiency, implement environmental standards for the Property and enhance sustainability practices – all with a goal of minimizing the building’s impact on the environment.
- ▶ Building Rules:
 - Provide energy and water consumption information if requested by Landlord . . . For the purpose of monitoring and improving building efficiency
 - Low/No VOC Paints
 - Green Cleaning Products – Green Seal certified
 - Recycling of paper, cardboard, plastics, aluminum cans/metals and glass
- ▶ Alterations:
 - In accordance with Landlord's reasonable requirements relating to sustainability and energy efficiency

► Definitions:

- “Maintain” – includes building-performance assessment tools and energy-optimizing practices . . .to ensure building is operating efficiency and providing a safe and comfortable work environment . . . with a view towards achieving optimized building performance
- “Operating Expenses” - to include costs of certifications or re-certifications applicable to environmental rating systems (such as LEED, ENERGY STAR) including reporting, tracking, and consultant fees



Very few “green” provisions are negotiated out of the lease.



All provisions are in tact in 89% of the leases

Lessons Learned



- ▶ Engage leasing staff/brokers early in the process
 - Team helped flush out potential issues
- ▶ Leasing/brokers need training
 - A green lease should be less adversarial and more about “win-win”
 - Most successful outcomes when leasing is talking to property management
- ▶ Reality not as scary as anticipation – overall wide acceptance
- ▶ Missed opportunity with renewals

Contact Us

Events

GREEN LEASE LIBRARY



Welcome to the Green Lease Library, a centralized site for commercial green leasing resources

Guidance

How to develop, negotiate, and implement green leases

[Click Here](#)

Lease Forms & Case Studies

Templates and successful examples of applying green leasing best practices

[Click Here](#)

Government Leasing

Public sector green leasing resources

[Click Here](#)

International

Examples of green leasing outside of the United States

[Click Here](#)

What are Green Leases?

Green leases (also known as aligned leases, high performance leases, or energy efficient leases) align the financial and energy incentives of building owners and tenants so they can work together to save money, conserve resources, and ensure the efficient operation of buildings.

2,500+ unique visitors per month

- ▶ Last year: “What is green leasing?”
 - www.greenleaselibrary.com
- ▶ This year: “How are companies approaching it?”
 - Green Lease Recognition Program
 - Implementation Roadmap

RILA Members are Industry Leaders



So what's the problem?

You want to...

- Install energy saving devices
- Increase recycling rates
- Install solar
- Retrofit parking lot lighting
- Install a submeter
- Recycle construction waste



But you can't because...

- The landlord needs to approve that
- It's not in the tenant manual
- The lease says you can't do that
- It needs to be negotiated
- The landlord does not offer that service

For retailers, “green” leasing is...

The additions or changes that create a “greener” lease help landlords and/or tenants to:

1. Improve base building efficiency
2. Align incentives for waste/energy reduction
3. Improve tenant space
4. Increase utility usage transparency
5. Clarify access and control of key spaces

This is an educational process...

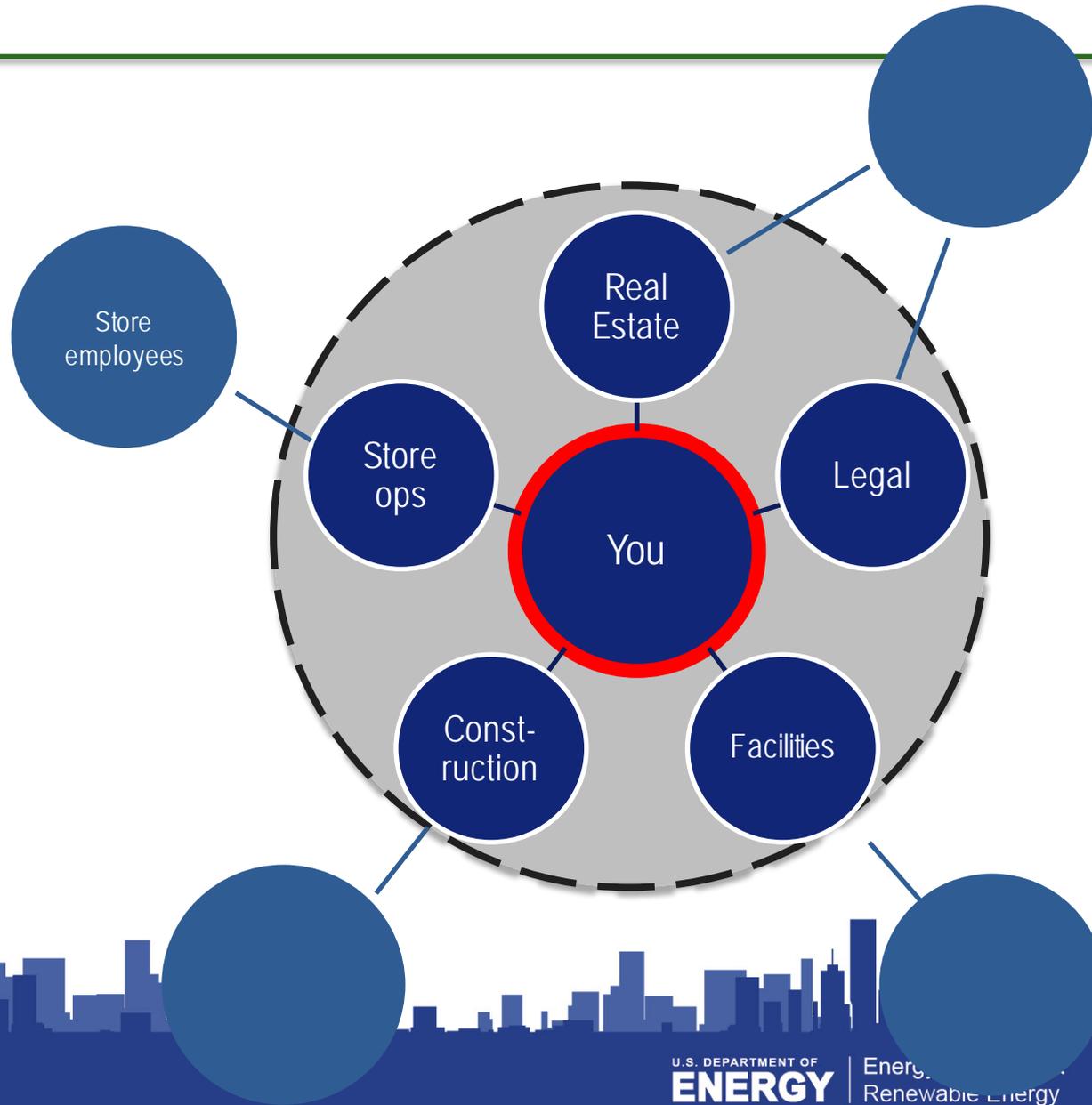
- ▶ You need to learn about the solutions



- ▶ Then educate others



Who can then educate others



Who has been involved?



Professional Retail Store Maintenance Association



Abercrombie & Fitch		
	J. CREW	
	Kohl's	
Ann, Inc.	Limitedbrands	
	Nike	

General Growth Properties, Inc.	
JONES LANG LASALLE®	
Kemper Development Company	
THE KILDUFF COMPANY URBAN DEVELOPMENT & CONSULTATION	
KIMCO REALTY	

Roundtable Discussion

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Open for Questions

