

As a contractual agreement between tenant and landlord, the lease can serve as a powerful mechanism to help increase the energy efficiency and sustainability of your building portfolio. However, with the focus on lease term, rental rate, tenant improvements, and many other complexities of the leasing process, the opportunity to embed sustainability in the tenant-landlord relationship is often overlooked. Even if leasing teams do discuss sustainability, tenants and landlords often seem to be speaking a different language. Implementing this list of best practices prior to engaging a tenant about sustainability will increase the likelihood of success and foster a sustainable relationship between tenants and landlords.

Begin with Benchmarking

- ▶ Understanding how your property consumes energy and water is vital to any equitable tenant-landlord relationship; that is why most green leases contain provisions encouraging regular benchmarking. EPA ENERGY STAR[®]'s free and easy-to-use Portfolio Manager[®] tool allows users to track energy performance using monthly utility data. Providing an ENERGY STAR score for the property to tenants regularly creates transparency and trust and allows landlords to demonstrate the opportunity for real savings.

Apply for the ENERGY STAR label

- ▶ The ENERGY STAR label is a clear sign to all stakeholders, including tenants, that your building is committed to high performance and energy efficiency. Earning and maintaining the ENERGY STAR certification differentiates your property and attracts tenants who value sustainability. The label serves as an effective starting point to facilitate a conversation around sustainability and ultimately embed energy efficiency into the lease.

Market Your Sustainability

- ▶ Beyond reduced operating costs, sustainability is only valuable if stakeholders know and understand your efforts. Use the documented benefits of your sustainability programs to differentiate your property to potential tenants. Tenants who value energy efficiency and sustainability will notice these efforts and will be more willing to engage with the leasing team during negotiations to embed sustainability into the lease.

Collaborate with Tenants

- ▶ Demonstrate that green lease clauses are more than just an effort to slash operating costs for landlords. Ensure that sustainability initiatives are mutually beneficial by collaborating and engaging with tenant representatives throughout the building. Supporting initiatives led by tenant interests such as ride sharing or community supported agriculture will increase tenant satisfaction and retention. Tenants and landlords can often learn from one another by sharing success stories of recycling projects, energy conservation campaigns, or newly implemented technologies. The result will be a high performance competitive building that is attractive to tenants.

It's More Than Electricity

- ▶ Successful sustainability initiatives include more than just electricity, despite energy efficiency upgrades usually being the most cost effective. Tenants, occupants, and other stakeholders are interested in water efficiency, waste reduction, ride sharing, recycling, and many other aspects of sustainability. When developing lease provisions, broaden the definition to include energy, water and waste, so that the language may be adopted for a comprehensive sustainability platform.

Make the Green Lease Standard

- ▶ Change the standard lease form that your organization uses to include green, energy-aligned, or high performance language. Green clauses are more likely to stay in an executed lease when they are included in the standard lease form than if they are added as an addendum. Additionally, modifying the standard form to include green clauses helps to ensure that the appropriate language is being used throughout your portfolio rather than on an individual basis. Example language can be found on the Green Lease Library to help develop appropriate clauses.

The Attorneys Matter

- ▶ The lease is a legally binding contract and any changes to the lease form will inevitably be reviewed by attorneys and internal real estate teams before a tenant even sees it. It is therefore very important to clearly demonstrate the value of green lease clauses to your real estate attorneys and be able to communicate internally at all levels the importance of making changes to a standard lease form.

Choose the Right Broker

- ▶ As the primary intermediary during lease negotiations, commercial brokers are in a unique position to align the corporate sustainability goals of tenants and landlords. Therefore, it is imperative to select a broker with a high acumen for sustainability, who understands the impact of energy efficiency on the local real estate market, and is willing to use the lease to advance and enforce sustainability.

Update Building Rules and Regulations

- ▶ Especially with existing agreements, the lease is often difficult to influence or change in a dramatic way. However, the building rules and regulations are often updated by landlords and can be a powerful tool to help advance sustainability initiatives. Modify the building rules and regulations to include language that supports energy efficient behavior and policies.

Track Your Progress

- ▶ Ensure that the standard lease form is being widely used by leasing teams during negotiations and then monitor which green clauses are sticking in the lease. If particular language is often negotiated out, try to tweak it to fit the needs of future tenants. Understanding the success of the green clauses added to the lease is vital to evolving the language to maximize the impact of green leasing throughout a portfolio.

For more information and resources about developing green lease language, please visit www.greenleaselibrary.com and eere.energy.gov/betterbuildingsalliance/leasing.

Those who successfully execute green leases are eligible for recognition for their efforts through the Green Lease Leaders program. Visit www.greenleaseleaders.com to learn more!

