MAKING EFFICIENCY WORK FOR YOU

A Guide for Empowering Landlords and Tenants to Collaborate on Saving Energy & Resources

Prepared by the Institute for Market Transformation
and the Council of Smaller Enterprises

IMT INSTITUTE FOR MARKET TRANSFORMATION

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Introduction

Energy is one of the top costs for small businesses, often ranking behind only labor and rent as a portion of annual expenses. While technologies exist to help lower energy use and save resources in commercial spaces, there is so much information available that it may seem impossible to know where to begin. This resource guide is intended to be a starting point for those looking to cut energy costs in rented commercial space. It includes sample lease language, operations & build-out recommendations, case studies, and additional materials to show how property owners and tenants can work together to reduce energy costs and save valuable resources in their buildings.

The contents of this guide were created as part of the Cleveland Energy-Aligned Leasing Program, a joint project of the Council of Smaller Enterprises (COSE) and the Institute for Market Transformation (IMT). This innovative project is supported by the Cleveland Economic Growth Fund, with funding from the Kresge Foundation and Energy Foundation. Additional partners include the City of Cleveland's Office of Sustainability and the Cleveland 2030 District. The overarching goal of this partnership is to transform the small business community's understanding of energy efficiency through education and energy audits, leading to higher-performing buildings in Cleveland and creating an energy-saving blueprint for businesses and the buildings they occupy across the U.S.

THIS RESOURCE GUIDE IS INTENDED TO BE A STARTING POINT FOR THOSE LOOKING TO CUT ENERGY COSTS IN RENTED COMMERCIAL SPACE.

GREEN LEASING AND ENERGY ASSESSMENTS: VEHICLES FOR LASTING ENERGY EFFICIENCY CHANGE

A common barrier to reducing energy use in leased spaces is a lack of shared understanding by both landlord and tenant about how a building performs and what potential improvements make economic sense. This barrier is easily overcome when both parties make energy a priority from the early stages of lease negotiations. Landlords and tenants can improve everyone's bottom line by agreeing to investigate potential energy efficiency projects and then sharing the associated costs and benefits. Leases that reflect this understanding are commonly known as green or energy-aligned leases. IMT has been at the forefront of engaging with stakeholders interested in greening their leases over the course of several years. A standard best practice incorporated in most green leases is an energy assessment, which helps to identify energy-saving opportunities that add value by making a space more energy efficient, comfortable, and healthy.

COSE's non-residential energy assessment provides clients with a baseline of their energy use while also offering turnkey solutions that are often cash-flow positive from implementation and save energy. With its local utility partners, Dominion East Ohio and FirstEnergy Corporation, the COSE energy assessment program is designed to reduce operating expenses for businesses so they can reinvest money into core operations. Through its community connections and in-house programs, COSE can also help finance and contract energy efficiency measures.

ABOUT THE PARTNERS

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COSE

The Council of Smaller Enterprises (COSE) has more than 40 years of history supporting the Ohio small business community, and in conjunction with the Greater Cleveland Partnership is strengthening the area's business community. Over the past 16 years, COSE has provided expertise and guidance, along with direct value to the energy needs of member businesses, partners and the surrounding community.

COSE has developed pathways to enable all size businesses to achieve improved energy efficiency, budget certainty, and cash flow, while reducing energy demand. COSE makes use of American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Level II energy assessments and provides the savings and costs analyses of all practical energy efficiency measures for its customers, along with proposed changes to operations and maintenance procedures.

For more information, visit www.cose.org/energy and follow us on Twitter at @COSESmallBiz and @COSEEnergy.

IMT
INSTITUTE FOR MARKET TRANSFORMATION

INSTITUTE FOR MARKET TRANSFORMATION

The Institute for Market Transformation (IMT) is a Washington, D.C.-based nonprofit organization promoting energy efficiency, green building, and environmental protection in the United States and abroad. IMT seeks to ignite greater investment in energy efficiency in the building sector through activities including technical and market research, policy and program development and deployment, and promotion of best practices and knowledge exchange.

IMT's Market Engagement program is a national leader in developing and executing projects that target the landlord-tenant relationship as a leverage point to generate energy savings.

For more information, visit imt.org and follow us on Twitter at @IMT_speaks.

Green Leasing Frequently Asked Questions

AS LEADING EXPERTS ON GREEN LEASING, IMT AND COSE ARE FREQUENTLY ASKED WHAT THE BENEFITS OF GREEN LEASES ARE AND HOW SMALL BUSINESSES CAN PUT THEM TO USE. BELOW ARE SOME COMMONLY ASKED QUESTIONS WITH SOLUTIONS FOR GETTING STARTED ON ENHANCING A LEASE WITH ENERGY EFFICIENCY CLAUSES.

WHAT IS A GREEN LEASE AND WHY IS IT BENEFICIAL?

Green leases, also known as energy-aligned leases, are not generally stand-alone documents separate from a normal commercial lease. Rather, a green lease is a regular commercial lease with additional language to address both landlord and tenant sustainability goals. The language in the lease can improve the environmental sustainability of commercial properties, reduce operating costs, help comply with required or voluntary energy benchmarking, and help achieve green building certifications such as Leadership in Energy and Environmental Design (LEED). With a modern, green lease, both landlord and tenant have incentives to invest in long-term, energy-efficient solutions.

WHAT ROLE DO TRADITIONAL LEASES PLAY IN INHIBITING ENERGY EFFICIENCY?

Most leased commercial properties rely on the lease to establish terms and effectively split costs between landlords and tenants.

Because the contents of a lease determine who pays for different aspects of a building's construction and maintenance, lease language plays an important role in determining what kind of maintenance the building receives.

Traditional leases separate costs in a way that discourages landlord and tenant collaboration while creating what is known as the "split-incentive" problem: landlords have no incentive to improve the energy efficiency of their building, while tenants bear the brunt of wasteful and poorly performing building systems (AC, heating, etc). Too often, the tenant is paying for their own utilities and the landlord doesn't see the costs. Green leases encourage both parties to collaborate and share important information with each other, helping mitigate split-incentive issues and paving the way for energy efficiency improvements.

HOW CAN A GREEN LEASE HELP MY BOTTOM LINE?

A growing number of commercial real estate companies, tenants, and brokers are using a green lease as a collaborative blueprint to increase building energy performance and save money. IMT estimates that such leases can reduce utility bills by up to $0.51 per square foot and reduce energy consumption in an office building by up to 22 percent.

WHAT ISSUES CAN A GREEN LEASE ADDRESS AND RESOLVE?

There are four main categories for green lease language. These are summarized below:

Pass-through Clauses: Language that allows the landlord's capital improvement costs to be shared with tenants.

Operational Clauses: Sections that mandate practices for the tenant space to operate more efficiently and sustainably.

Sustainable Purchasing: Language that outlines allowable materials in tenant and common area space. Criteria may include requirements for ENERGY STAR products or construction materials with recycled content.

Reporting: These clauses encourage sharing tenant space and building-wide utility data in effort to measure and manage energy use and address benchmarking goals.

HOW DO I GREEN AN EXISTING LEASE?

Restructuring existing leases for greater energy efficiency can be a tough job. Here are some ways to make it better.

Adjusting Rules and Regulations: Inserting green operation language into the Rules and Regulations of a lease is the first step towards an agreement that lowers utility costs. It allows the development of simple low or no-cost solutions that both tenant and landlord can utilize without spending large amounts of cash up front. Landlords can often simply insert these changes in Rules and Regulations to unilaterally modify the lease.

Amendments: Amendments can be used to address a select alteration(s) to the lease. This strategy commonly requires legal coordination from both landlord and tenant. The approach can be used to implement a capital improvement or sharing of utility usage while clearly outlining where both parties benefit from the improvement. It's important to note that amendments shield the remainder of the lease items from additional negotiations, as an amendment is generally a stand-alone document limited to a few pages.

IMT estimates that such leases can reduce utility bills by up to $0.51 per square foot and reduce energy consumption in an office building by up to 22 percent.

HOW CAN I NEGOTIATE A GREEN LEASE?

Use these discussion opportunities to green your lease.

FOR LANDLORDS:

Extended Lease Term: Agree to extend the tenant's lease so that the tenant can recoup all or a larger portion of savings after an initial payback period.

Stress Financial Savings: Emphasize overall operating savings such as lower utility expenses (in the case of triple-net leases) wellness, comfort, and productivity savings to the tenant.

Be Transparent: Let the tenant know of planned improvements that are beneficial to the tenant.

FOR TENANTS:

Agree to a Longer Lease Term: By signing a longer lease, the landlord may be more inclined to renegotiate the lease if he or she is able to mitigate vacancy risk. Additionally, such suggestion helps the landlord save on transaction costs associated with replacing tenants and less waste will result from additional tenant build-outs.

Communicate Cooperatively: Stress to the landlord what you are willing to pay. Aim for a win-win resolution for both parties.

Stress Benefits to the Landlord: Emphasize what the landlord stands to gain when investing in energy efficiency. Mention lower operating costs, higher net operating incomes (NOI) and a higher valued building.

Rebates and Tax Incentives: Research rebates and tax incentives from your local utilities and contractors. These rebates and incentives may help tenant and landlord overcome cost hurdles.

HOW THE **LEASE** CAN BRING **LANDLORDS** & **TENANTS** TOGETHER ON **ENERGY EFFICIENCY**

A growing number of commercial real estate companies, tenants, and brokers are using the lease as a collaborative blueprint to increase building performance, save money, and bolster sustainability.

GREEN LEASES CAN
REDUCE
UTILITY BILLS BY UP TO
$0.51
PER SQ. FT.

GREEN LEASES HAVE THE POTENTIAL TO
REDUCE
ENERGY CONSUMPTION IN AN OFFICE BUILDING BY
11-22%

Plug loads such as computers and refrigerators are the fastest growing segment of energy use. Plug and process loads **account for about 33% of building energy** consumption, which is more than heating, cooling, or even lighting. Setting office equipment to automatically turn off with advanced power strips can lead to huge savings.

Reducing building operating hours to only when the building is occupied means the A/C won't waste energy by cooling an empty building.

Submetering a space increases transparency and allows tenants to keep track and only pay for the energy they use.

Advanced lighting controls and motion sensors increase lighting efficiency and allow more control over the brightness of the office.

Daytime cleaning allows for a reduction in building operating hours and can be agreed upon as part of the lease process.

Training asset and leasing managers in the benefits of green buildings is important, as they in turn can communicate benefits to prospective tenants.

Benchmarking in ENERGY STAR Portfolio Manager helps landlords measure and manage their buildings' energy consumption.

Source: IMT, 2015

Regularly commissioned building systems operate more efficiently year round. It's like giving your building a check-up. Commissioning a **typical building costs $.30/sq. ft.**, and the resulting energy savings provide a **91% cash-on-cash return for building owners**.

Why Green Leases?

Adding energy-saving language into a lease aligns the financial and environmental goals of landlords and tenants. It links corporate social responsibility best practices to building energy performance and demonstrates to potential tenants and investors a commitment to superior operations, tenant satisfaction, and sustainability. The above shows the transformation of an average building into a high-performing one resulting from energy-aligned leasing language put into action.

Sample Green Lease Clauses

COST PASS-THROUGH & SPLIT INCENTIVE

ALLOW CAPITAL EXPENSES FOR ENERGY EFFICIENCY TO BE TREATED AS OPERATING EXPENSES

The Landlord may deem the following Capital Expenses as Operating Expenses: costs of providing, installing, modifying, and upgrading energy and water conservation equipment and systems, and making alterations, replacements or additions to the building intended to reduce operating costs, utility consumption, and/or greenhouse gas emissions, improve the operation of the building and the systems, facilities and equipment serving the building, or maintain their operation.

EXPLICIT ENERGY EFFICIENCY CLAUSE

Landlord may include in Operating Expenses the Capital Improvements intended to improve energy efficiency. In the case of any Capital Improvement that the independent engineer certifies in writing will, subject to reasonable assumptions and qualifications, reduce the building's consumption of electricity, oil, natural gas, steam, water or other utilities, and notwithstanding anything to the contrary:

The costs of such Capital Improvement shall be deemed reduced by the amount of any government or other incentives for energy efficiency improvements actually received by Landlord to defray the costs of such Capital Improvement, and shall further be reduced by any energy efficiency tax credits or similar energy-efficiency-based tax incentives actually accruing to Landlord as a result of such Capital Improvement.

AMORTIZATION

All costs of any capital improvements made to the building that reduce the building's energy expenses, shall be cost capitalized and hereafter amortized as an annual Operating Expense under generally accepted accounting principles, only the yearly amortized portion of which shall be included in Operating Expenses. In no event shall the charge for yearly amortization be more than the actual reduction in Operating Expenses.

GREEN TENANT BUILD OUT

EFFICIENT TENANT BUILD OUT

Landlord's approval of Tenant's proposed Space Plan, Working Drawings, or Change Order shall not be unreasonably withheld, conditioned or delayed; provided, however, that Landlord shall not be deemed to have unreasonably withheld its approval of any Space Plan, Working Drawings or Change Order that: Does not reflect a ten percent (10%) efficiency improvement in tenant fit up lighting efficiency over minimum code.

ONGOING ALTERATIONS

Before making any alterations to the Premises or to the plant, equipment or services within and serving the Premises which alterations (may/will) adversely affect the environmental performance of and/or any energy performance rating of the Premises and/or the Building the Tenant shall:

(a) *provide sufficient information to the Landlord in writing and wait a reasonable period before commencing the works so as to enable the Landlord to assess the potential adverse effects of the proposed alterations.*

(b) *consider (and, where reasonable, implement) any (reasonable) suggestions which the Landlord makes to (avoid/minimize) any such potential adverse effects of the proposed alterations.*

FOLLOWING LANDLORD SUSTAINABILITY PRACTICES

Any and all Tenant Improvement Work and/or Alterations will be performed in accordance with Landlord's sustainability practices that Tenant has accepted as part of the lease agreement, including any agreed upon third-party rating system concerning the environmental compliance of the Building or the Premises, as the same may change from time to time.

(optional) Tenant further agrees to engage a qualified third party LEED or Green Globe Accredited Professional or similarly qualified professional during the design phase through implementation of any Tenant Improvement Work and/or Alterations to review all plans, material procurement, demolition, construction and waste management procedures to ensure they are in full conformance to Landlord's sustainability practices, as aforementioned.

RULES & REGULATIONS

EFFICIENT WATER FIXTURES

Tenant shall maintain maximum fixture water efficiency within the building to reduce the burden on potable water supply and wastewater systems. Faucets, shower heads, toilets, and urinals must be low-flow. The total water efficiency of all interior fixtures shall be at least 20 percent more efficient than the baseline set by the Energy Policy Act of 1992. When available, Tenant shall install products certified by the U.S. Environmental Protection Agency's Water Sense program.

HVAC POLICY

Option 1: *The Landlord shall provide HVAC in quantities and at temperatures required to maintain conditions within a reasonable temperature range in the Premises during Business Hours. HVAC and lighting supplied to the premises outside of Normal Business Hours requested by the Tenant shall be at the Tenant's cost at the rate equal to the then prevailing rate for such service or utility plus the Landlords 15 percent administration fee.*

Optional addition: The Tenant shall not permit the use of, within its premises any stand alone or energy-intensive equipment designed to modify indoor air temperature or humidity, such as portable air conditioners, space heaters, humidifiers, or dehumidifiers.

Option 2: *Landlord shall furnish to the Premises during normal hours of operation of the Building air-conditioning and heat during the seasons when they are required, as and to the extent determined in Landlord's reasonable judgment taking into account standards prevalent in comparable buildings in the market in which the Building is located. It is also agreed that if Tenant requires air-conditioning or heat beyond the normal hours of operation set forth herein, Landlord will furnish such air-conditioning or heat provided Tenant gives Landlord sufficient advance notice of such requirement, and Tenant hereby agrees to pay for such extra service in accordance with Landlord's then-current schedule of costs and assessments for such extra service. To maintain proper air balancing and pressurization, Tenant shall keep all of its suite entry doors closed except as actually used for ingress or egress.*

TENANT SUSTAINABILITY BEST EFFORT

Tenant shall use best efforts to help meet building-wide energy use reduction goals and minimize unnecessary use of electricity, water, heating, and air conditioning, including recommended use of window shades and curtains to keep out summer heat and keep in winter warmth.

WASTE MANAGEMENT

Option 1: Single-Stream Recycling:

Landlord shall: Set up a building-wide infrastructure for materials recycling and supply a single-stream bin to Tenant for paper, metals, and plastics. Landlord shall also provide electronics disposal bins for computers, and other recycling programs provided at Landlord's discretion.

Tenant shall: Use best efforts to recycle by separating waste stream into single-stream (paper, plastic, metals), and dispose of all other items (cell phones, computers, etc.) in designated bins.

Option 2:

a) *The Tenant shall place all refuse and recyclables in the receptacles provided by the Tenant in the Premises or in the receptacles (if any) provided by the Landlord for the Building, and shall otherwise keep the Lands and the Building and the sidewalks and driveways outside the Building free of all refuse.*

e) *The Landlord shall be entitled to refuse to collect refuse and recyclables if not properly sorted into the appropriate recyclable container, and the Landlord shall be entitled to charge the Tenant for any costs it incurs as a result of the Tenant's failure to comply with the building recycling program.*

BUILDING UTILITY DATA SHARING

Tenant shall be required to submit on a(n) [monthly, quarterly, annual] basis to Landlord energy and water consumption data, including total usage and total charges as they appear on Tenant's electric, gas, water, and other utility bills, in a format deemed reasonably acceptable by Landlord.

Landlord agrees to provide, at Tenant's request, building-level energy and water consumption, as well as (if applicable) the ENERGY STAR score of the building.

Tenant Operations Guide

INCORPORATE THESE SUSTAINABILITY TECHNIQUES IN YOUR EXISTING BUSINESS OPERATIONS TO MAXIMIZE ENERGY AND WATER COST SAVINGS, AND CREATE HEALTHY INTERIORS.

ALTERNATIVE TRANSPORTATION

❑ **Transportation:** Hang schedules and maps in your break room, including bus, bike, rail and/or trolley routes that serve your area so that staff are aware of transportation options.

❑ **Bike-To-Work:** Hold a bike-to-work week event.

❑ **Carpooling:** Create a carpool message board to encourage staff to find others who are interested in carpooling.

WATER QUANTITY AND QUALITY

WATER MANAGEMENT STRATEGIES NOT ONLY SAVE WATER AND IMPROVE QUALITY, BUT ALSO SAVE ENERGY.

❑ **Low-Flow/Low-Flush Fixtures:** Install WaterSense-labeled low-flow and low-flush fixtures in bathrooms and kitchens.

❑ **Maximize Kitchen Equipment:** ENERGY STAR kitchen products not only save energy, but also save water. ENERGY STAR-qualified dishwashers, ice machines, and steam cookers are at least 10 percent more water-efficient than standard models.

❑ **Dishwasher Efficiency:** Lower water usage by running the dishwasher only when it is full and educate staff to scrape dishes prior to loading the dishwasher.

❑ **Leak Inspections:** Inspect kitchens and bathrooms for leaks. If necessary, connect with your technician to fix leaks.

❑ **Filtered Water:** Encourage staff to drink filtered water by installing a well-maintained water filtration system.

ENERGY MANAGEMENT

INCORPORATE THESE ENERGY MANAGEMENT STRATEGIES TO LOWER BUSINESS'S ENERGY USAGE.

❑ **Energy Audit:** Conduct an energy audit to establish a baseline for space's energy use and to find easy energy efficiency solutions. Contact COSE for more details.

❑ **Occupancy Sensors:** Consider installing occupancy sensors and/or timers in all non-regularly occupied spaces, including storage rooms, pantries, and bathrooms.

❑ **Lighting and Plug Load Management:** Train staff to turn off or unplug lights, electronics, and appliances when not in use.

❑ **Space Heaters:** Prohibit and remove existing energy-hogging space heaters from your space.

❑ **Ongoing Maintenance:** Extend the life of your HVAC and kitchen exhaust by scheduling quarterly inspections with HVAC technicians. Inspections can fix ongoing problems for continued use.

❑ **Retrocommissioning:** Ask your service technician to retrocommission, which is the process of optimizing energy and water consuming systems, to improve the efficiency of all existing equipment.

❑ **Walk-in Refrigerators:** Inspect door gaskets for leaks and consider installing inexpensive strip curtains and automatic door closures.

❑ **Vending Machines:** Vending machines are big energy hogs. Consider removing vending machines from your space, which can save 3,500 kilowatt hours of electricity which is equal to $350 each year.

❑ **Energy Star Appliances:** Consider replacing old, inefficient refrigerators and dishwashers with newer ENERGY STAR-labeled appliances.

❑ **Refrigeration Leaks:** Monitor supplemental air-conditioning units and refrigerators for leaks.

❑ **Programmable Thermostat:** Consider installing a programmable thermostat to limit cooling and heating needs and to save energy and money.

MATERIALS CONSERVATION

LIMIT WASTE AND CONSERVE RESOURCES BY ENHANCING YOUR BUSINESS'S RECYCLING AND PROCUREMENT TACTICS.

❑ **Sustainable Tableware:** Eliminate Styrofoam plates, cups, and utensils and opt for takeaway supplies that are made of recyclable materials.

❑ **Rechargeable Batteries:** These batteries can be recharged hundreds of times, conserving resources and saving you from having to buy additional batteries.

❑ **Main Recycling Areas:** Provide a recycling receptacle for paper, metal, plastic, cardboard, and discarded electronics in a central location. Ask your property manager if you can contract a recycling hauling service.

❑ **Sustainable Purchasing:** Purchase sustainable supplies that have certain green criteria such as high-recycled and regional content pencils and pens, and Forest Stewardship Council-certified paper products. Many supply carriers have this information readily available on their websites.

❑ **Purchasing and Recycling Plan:** Communicate your material conservation commitment in a formal recycling and purchasing plan. Review the plan with your staff.

WELLNESS

INVESTING IN WELLNESS INITIATIVES DRIVES EMPLOYEE PRODUCTIVITY, COMPANY CULTURE AND RETENTION.

❑ **Healthy Food Options:** Add menu items and staff snacks that are comprised of healthier ingredients. Source foods that are certified organic and/or contain no artificial or added sugars.

❑ **Mold Inspections:** Inspect supplemental air conditioning units for the presence of mold and other harmful microbes.

❑ **Indoor Plants:** Plants filter indoor air from pollutants, while increasing oxygen in the air, which helps with staff productivity and customer satisfaction.

❑ **Air Purification:** Install a standalone air purifier with a carbon filter in commonly used areas. These air purifiers can remove harmful chemicals, bacteria, viruses, and mold spores in the air.

❑ **Green Cleaning:** Purchase cleaning supplies that are EcoLogo, Green Seal, or EPA's Designed for the Environment-certified.

❑ **Hand Sanitizer:** Provide antibacterial hand sanitizers for employees and patrons.

❑ **Pesticides:** Eliminate pesticides that contain chemicals with known carcinogens. Confirm products contain no organochlorines, creosotes, or sulfallates.

Tenant Build-Out Guide

BECOME A SUSTAINABLE BUSINESS LEADER BY INCORPORATING THESE ENVIRONMENTALLY FRIENDLY STRATEGIES INTO YOUR NEWLY LEASED SPACE.

WATER QUANTITY AND QUALITY

CONSERVING WATER AND MAINTAINING ITS DRINKABILITY IS CRITICAL TO OUR PLANET'S FUTURE

❑ **Low-Flow Fixtures:** Specify Water Sense-labeled low-flow and low-flush kitchen and bathroom fixtures.

❑ **Dishwashers:** Ask your contractor to select dishwashers that are ENERGY STAR-labeled.

❑ **Kitchen Equipment Selection:** When planning your space, remember which appliances use the most water. Specialty items like a sluice trough food disposal, combination ovens, and steam kettles can often use more water than suspected water users like pre-rinse spray valves and dishwashers.

ENERGY MANAGEMENT

AS A TENANT, YOU HAVE THE ABILITY TO CONTROL ENERGY END USES THROUGH EFFECTIVE ENERGY EFFICIENCY TACTICS.

❑ **Commissioning:** Engage a commissioning agent to verify that newly installed mechanical, electrical, and plumbing systems are working properly. With a properly commissioned system, you can prevent repair fees over the system's lifetime.

❑ **Sub-metering:** Work with your landlord to install a sub-metering system for electrical use. Rework the lease so that your landlord charges you based in part or in whole on the meter's electrical usage versus a pro-rata share.

❑ **Ban HCFCs:** Ban the use of hydro-chlorofluorocarbons (HCFCs)- based refrigerants, which are major ozone depletion contributors, in your AC units.

❑ **LEDs:** Light emitting diodes (LEDs) lightbulbs last longer than standard compact fluorescent or incandescent lightbulbs and use less energy.

❑ **ENERGY STAR Products:** Use Energy Star products to efficiently meet your space's needs from IT equipment, lighting, appliances, and HVAC equipment.

❑ **Daylighting:** Install blinds and shades to direct sun through windows in the summer and winter to prevent and increase heat gain.

MATERIALS CONSERVATION

INCORPORATE A COMPREHENSIVE LIFE-CYCLE APPROACH AS YOU DESIGN AND CONSTRUCT YOUR NEW SPACE.

❑ **Recycling:** Establish a main, single- or multi-source recycling hub for typical business operations. Review your jurisdiction's recycling protocols.

❑ **Construction Waste Management:** Implement a construction waste management plan in order to divert construction waste to proper recycling channels. Discuss this option with a waste hauler.

❑ **Re-Use Furniture:** Consider salvaging furniture and other nonstructural elements from your previous location to your new space.

❑ **Recycled & Regional Materials:** Specify with your contractor the use of materials that are made of recycled content or sourced locally especially for high-ticket items such as concrete, metals, and drywall.

❑ **Forest Management:** Encourage environmentally responsible forest management by purchasing wood products that are certified by the Forest Stewardship Council.

WELLNESS

INVESTING IN A HEALTHY SPACE HELPS ATTRACT TALENT, REDUCES ABSENTEEISM, IMPROVES MORALE AND INCREASES PRODUCTIVITY.

❑ **Harmful Chemicals:** Select interior paints, coatings, sealants, adhesives, and furniture that contain few chemicals such as formaldehyde, which are also known as volatile organic compounds (VOCs).

❑ **Flooring Materials:** Ask your contractor to choose healthy flooring materials that are FloorScore-, Green Label- or Green Label Plus-certified.

❑ **Air Filtration:** Filter allergens, bacteria, and harmful chemicals from the air by installing carbon filters at return registers.

❑ **Acoustics:** Consult with your design team on how to limit outside noise disturbances with acoustical wall panels, acoustical ceiling tiles, curtains, and added wall insulation.

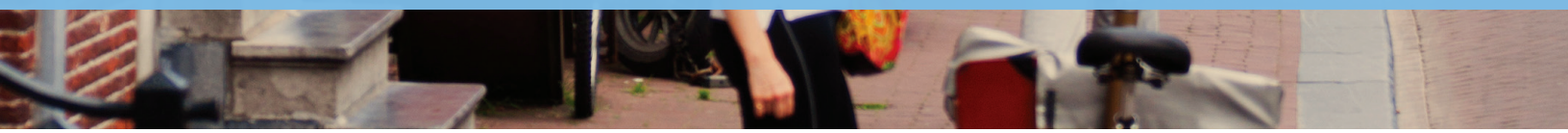
❑ **Walk-Off Mats:** Limit airborne pollutants and dirt from entering your space by installing a durable mat at all major entrances.

GREEN LEASE CASE STUDIES

The following case studies demonstrate how large and small businesses, tenants and landlords, and retailers and offices have successfully executed green leases. These real-world examples aim to inspire and educate you before your next lease transaction.

FEATURED CASE STUDIES INCLUDE:

NEO Realty Group | Geis Companies | The Coffee House



NEO REALTY GROUP
GREEN LEASE CASE STUDY

PROVING A **SMALL BUSINESS** CAN BE A LEADER IN **GREEN LEASING**

A vertically integrated real estate company, NEO Realty Group views itself as an owner and stakeholder, rather than just a landlord in the communities where it owns or manages properties in Northeast Ohio.

Like many businesses, NEO Realty Group recognizes that marrying real estate operations with energy efficiency tactics makes economic sense, with tenants and owners both desiring solutions for reducing their utility expenses, overall operating costs, and their carbon footprints.

By directly identifying areas of opportunity to reduce tenants' operating costs, the company seeks to build trust with tenants, which in turn becomes the foundation for energy-aligned projects that it owns or manages in the local communities.

NEO REALTY GROUP LLC

NEO Realty Group is one of eleven companies to be named a 2015 Green Lease Leader—a designation created by the Institute for Market Transformation (IMT) and the U.S. Department of Energy's Better Buildings Alliance to recognize commercial real estate brokers, landlords, and tenants who are successfully introducing energy efficiency practices and sustainability-focused clauses into their leases.

Based in Northeastern Ohio, NEO Realty Group is a vertically-integrated real estate company that manages or owns properties in four counties in the Cleveland metropolitan area. The company also provides third-party property management and offers traditional owner and tenant representation. The company earned Green Lease Leader recognition by developing an integrated approach to sustainable real estate management (SRM) and embedding clauses in its leases that leverage energy audits and other tools to improve the energy performance across its portfolio. To date, approximately 15 percent of its portfolio operates under a green lease, creating more sustainable tenant-landlord relationships, preserving community staples, saving energy, and increasing profits.

NEO REALTY GROUP OWNS AND MANAGES COMMERCIAL OFFICE AND RETAIL PROPERTIES THROUGHOUT NORTHEAST OHIO WITH TYPICAL BUILDINGS RANGING FROM 10,000-60,000 SQUARE FEET.

NEO REALTY GROUP SPECIALIZES IN PROPERTY MANAGEMENT WITH A FULL LINE OF SERVICES THAT FOCUS ON SUSTAINABLE REAL ESTATE MANAGEMENT (SRM)

WWW.NEOREALTYGROUP.NET

THE **ACS** DISCOVERY SHOP RECEIVES **ENERGY UPDATES**

THE PROPERTY:

Cherry Street Plaza

Located in the rural-suburban Cleveland metropolitan area, Cherry Street Plaza in Chardon, Ohio, is a 15,000-square-foot mixed-use office and retail center. The center includes a collection of regional franchises, an office tenant, and the American Cancer Society's Discovery Shop. The property recently shifted from a C-Store gas station into a mixed-use community plaza, and typical leases include requirements for installing ENERGY STAR-labeled equipment and limiting the use of volatile organic chemicals—measures that ensure Cherry Street Plaza operates efficiently and protects the health and wellbeing of its occupants.

THE TENANT:

The American Cancer Society

The American Cancer Society's (ACS) Discovery Shop is a 5,500-square-foot retail store. At the time of its lease renewal in 2013, ACS, which paid its utilities directly to the utility provider, desired to lower its rising energy and water costs, balance potential rental increases, and minimize cash outlays. ACS reasoned that by controlling these expenses, it could increase employee comfort and redirect crucial funds to its mission of supporting those living with cancer.

"I think that energy efficiency is important for several reasons," said Lisa Swift, ACS' Regional Facilities Manager "Having equipment that operates efficiently is going to save us money and improve the bottom line. Any money saved allows us to allocate more money to our mission...It also benefits the environment. When we use less energy, we save our natural resources and cut down on pollution. This change will also enhance the quality of life for our staff and volunteers at our Discovery Shop."

Any money saved allows us to allocate more money to our mission...It also benefits the environment.

ACS also requested improvements to the Discovery Shop's exterior and mechanical and lighting systems. However, the building owner realized that meeting the nonprofit's requirements posed a significant hurdle to a future lease renewal under the owner's desired rental rates. To resolve this issue and avoid lowering rental rates, NEO Realty decided the best solution was to reduce ACS' utility expenses ahead of time.

Partnership and Collaboration is Key

NEO Realty Group developed its energy management expertise through a business partnership with New Ecologix, an integrated sustainable services company. In combination with New Ecologix's Professional Engineer and LEED Accredited Professional energy expert, NEO Realty Group developed its sustainable real estate management (SRM) services to include energy audits and sustainability consulting.

Since 2011 New Ecologix has conducted complimentary energy audits for NEO Realty Group's tenants. These energy audits become the basis for retaining local tenants, lowering operating expenses, and increasing NEO Realty Group's net operating income.

Typical audits conducted include the analysis of heating, ventilation, and air conditioning (HVAC) system studies, benefits of lighting retrofits and roof installations such as reflective roofs or adding insulation, and analysis of plug-load control and demand control.

From these audits NEO Realty Group identifies key areas of opportunity, verifies project baselines, and creates additional revenue streams. The results of the audits also become the basis for NEO Realty Group's green lease language, including the specification of equipment and tenant improvement requirements in the lease.

To overcome the common split-incentive problem, in which a typical lease is structured so that neither a building owner nor a tenant are incentivized to improve building performance, the upfront costs of energy conservation measures are commonly funded by property ownership. Ownership then recaptures a portion of the initial savings to repay their capital costs and passes the remaining savings to the tenant.

As a result both parties obtain a reasonable return on investment, and the reduced operating expenses for tenants help owners negotiate more favorable rental terms in general.

PROVIDING **WIN-WIN SOLUTIONS** THROUGH **ENERGY EFFICIENCY**

To overcome these split-incentive barriers, NEO Realty Group aligned the owner and ACS's goals in an energy-aligned lease mid-cycle. This green lease transaction demonstrates that anyone in any location can achieve energy efficiency goals by aligning people, planet, and profit objectives for both landlord and tenant stakeholders.

ACS viewed energy efficiency as a strategy to lower operating costs to fund research to save lives. The owner viewed energy efficiency as a way to obtain a healthy return on investment from the upgrades and to incentivize the tenant to renew at the end of the existing lease term. As a result of negotiations, NEO Realty Group agreed to cover all of the Discovery Shop's upgrade costs with an expected return on investment of 15 percent at the end term of the lease, in addition to an overall reduction in energy expenses.

> Anyone in any location can achieve energy efficiency goals.

Under this arrangement, NEO Realty Group renovated the shop's exterior entrances, lighting, and lighting controls, agreed to install new ENERGY STAR air conditioning, through-wall supplemental units with 16.5 seasonal energy efficiency ratio (SEER) ratings, and additional supply ducts.

As a result of these updates the Discovery Shop reduced its lighting load by 70 percent, and the store's repair expenses will be reduced due to the new longer-lasting equipment. Per the lease, ACS is required to submit energy use data to the owner, allowing both parties to track savings and ROI. For the first 24 months post-upgrade ACS will pay 65 percent of the energy savings to the owner in the form of a quarterly rebate. After the first 24 months, ACS will retain all savings from the upgrades in the form of lower energy bills, creating an extra incentive to renew at the end of the lease term.

To learn more about green leases, including sample clauses and additional case studies, visit **greenleaselibrary.org**.

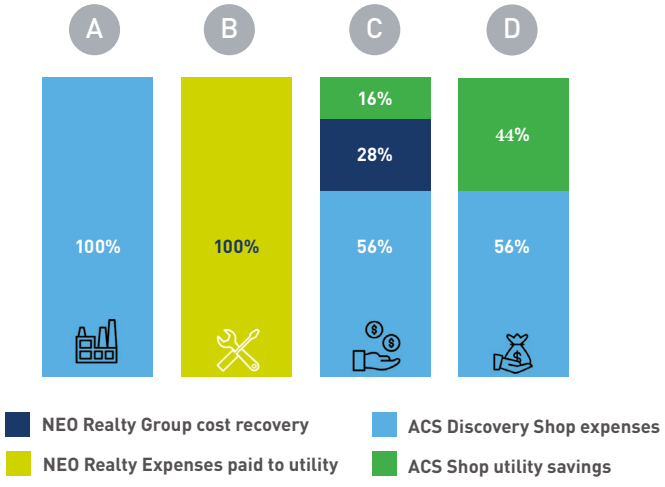
ACS Discovery Shop's Energy Upgrade

A **PRE-UPGRADE AVERAGE ANNUAL UTILITIES COST**
Per the lease, ACS paid 100% of its utility expenses directly to the utility provider.

B **UPGRADE COST**
NEO Realty Group paid 100% of the lighting and HVAC upgrade costs.

C **POST-UPGRADE ANNUAL UTILITIES COST (FIRST 24 MOS.)**
In the first two years post-upgrade, ACS's annual utility bills will be reduced by 43% according to the results of the energy audit. NEO Realty Group will capture 65% of the 43% (28%) in total savings in the form of a rebate, while ACS will capture the remainder or 16%.

D **POST-UPGRADE ANNUAL UTILITIES COST (AFTER 24 MOS.)**
After two years and for the remainder of the lease term, ACS will capture all of the savings from the upgrade.



GEIS COMPANIES
GREEN LEASE CASE STUDY

LEADERS IN SUSTAINABLE CONSTRUCTION AND GREEN LEASING

INVESTING IN THE FUTURE

As a vertically-integrated company, Geis has the advantage of being able to invest in measures that will pay off over the entire length of construction or even the entire life of their buildings. This unique capability allows the company to put a special focus on sustainability. For Geis, this includes establishing sustainable practices for new construction, retrofits, and rental space, and encouraging energy efficiency packages to clients of all shapes, sizes, and budgets.

As a result of their unique position in the real estate market, Geis also developed its own sustainability program—Geis Green. The Geis Green program provides clients with options to simply pursue energy and water-saving measures throughout the design, construction, and operation of their space. Clients can choose to install cost-effective features to improve the efficiency of their space, or to push their spaces to the cutting-edge of performance.

Geis Companies

For over 40 years, the Geis Companies have been constructing and operating buildings in the Greater Cleveland area. As one of North America's premier design & build companies, Geis is committed to providing cost-effective strategies to build, design, and occupy high-performance buildings.

While the movement towards green buildings has only picked up within the past 10 years, Geis has been working towards creating sustainable spaces for nearly two decades. Alongside the Council of Smaller Enterprises (COSE), the company brings high-quality, efficient spaces to the Cleveland market.

IN 1997, CO-OWNER FRED GEIS ATTENDED A SEMINAR THAT DISCUSSED THE BURGEONING LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED) PROGRAM, WHICH HAD JUST BEEN DEVELOPED BY THE U.S. GREEN BUILDING COUNCIL.

BY THE END OF THE YEAR, GEIS ORGANIZED A FULL-DAY, COMPANY-WIDE TRAINING TO GET UP TO SPEED ON ENERGY EFFICIENCY AND SUSTAINABLE CONSTRUCTION.

GEIS COMPANIES

CLIENT INTEREST

For many businesses and consumers, a top priority is choosing the best space that works within their price point. However, much to the pleasure of Fred Geis, prospective clients increasingly show interest in building and occupying sustainable spaces.

In the late 90's, when Geis began to focus on energy performance, the company had to explain the concept of green building to most of their potential clients. Today, LEED and energy efficiency are usually brought up by clients within the first few conversations before developing a site, demonstrating a market shift towards greater desire for sustainability.

Geis's integrated approach to building, leasing, and managing a space allows the company to take a longer-term approach to building operation.

SUSTAINABLE STORIES

The cost of obtaining a green certification can be prohibitive for some companies. For Geis, earning a green certification is less important than the actual performance of their buildings. The company recognizes the many benefits of green buildings, and encourages clients to push the boundaries when considering sustainable features that improve savings and comfort.

In addition to desiring improved performance, Geis knows that today's leading companies and professionals want to be able to tell their own story about what they've done to improve the world. Through the Geis Sustainable Stories program, clients are able to easily showcase the changes they've made to their space that will reduce the impact they have on the environment, and improve the health, happiness, and productivity of their employees and customers.

ZERO WASTE

Geis has developed robust standards to drive their buildings towards zero waste production. Through their Zero Waste Program, composting, e-waste, and non-standard recyclables can be integrated into standard operations at any Geis-managed building.

This effort was developed in collaboration with Cuyahoga County, and supported Sustainable Cleveland's Year of Zero Waste. Through flyers, guidebooks, and other forms of tenant education, Geis is gradually bringing tenants along the path to creating workspaces that minimize waste.

SUSTAINABILITY IN ACTION

TENANT HIGHLIGHT

Cuyahoga County

Cuyahoga County recently began extensively incorporating energy efficiency measures into its building leases, both as a landlord and tenant. A large driver for this movement was internal, as the county aimed to take a more active role in reducing energy use during the construction and operation of its buildings.

The Cuyahoga County Administrative Headquarters building in particular has shown that properties with multiple stakeholders can be built and operated sustainably. The building itself is owned by the Port of Cleveland, is managed by Geis Properties, and was built by Geis Construction. Additionally, the building was designed by a group of architects and designers, including GLSD Architects (among others), which is a division of Geis Companies. The sustainability measures added to the lease changed the way these cross-disciplinary teams designed and constructed the building, and improved the way it's operated today.

Adding sustainability in the mix also fostered greater collaboration on multiple levels and helped create a blueprint for the many organizations involved to achieve an overarching regional goal of energy responsibility.

In the beginning, the goal for Cuayahoga County's Headquarters was to become LEED Silver Certified. However, after the completion of the build-out of the structure, they were able to achieve LEED Gold Certification, beating their own expectations.

The design and construction of the building incorporated a number of innovative, sustainable features. For example, the building has a rooftop garden filled with plants that require no irrigation, but absorb rainwater and reduce surface runoff. The garden is just one piece of the building's water-efficient design, which reduces water use 42 percent compared to code.

The building utilizes motion sensors, solar-powered lavatory faucets, and an evaporative condensing system to provide highly-efficient HVAC service within the building. Reducing the building's energy and water use significantly lowers the costs of operation. By reducing operating costs, the net operating income of the building is increased, which then raises its value. In summation, the highly-efficient features of the Cuyahoga County Administrative Headquarters not only save money on a monthly basis through the building's utility bills, but they also increase the value of the County's asset.

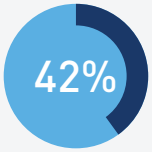
Beyond its headquarters, a large part of the sustainability efforts made by the county have focused on behavioral and cultural changes for the employees that work in their buildings. Measures taken

by the county to achieve sustainability included installing destination elevators, using a smart lighting system, and coordinating waste disposal within the office spaces. These practices, incorporated into the leases of the nearly 30 buildings used by the county as either landlord or tenant, strive to increase the efficiency and comfort of their work environments.

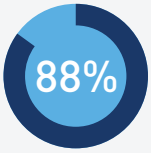
Although the drive for these sustainable practices largely came from the county's sustainability team, the Public Works Department also had a hand in the efforts. In fact, the Public Works department initiated the inclusion of green language into the various leases of the county. In addition, the county has also created its own Sustainability Department, which will push even further beyond the green efforts already accomplished.

CUAYAHOGA COUNTY'S HEADQUARTERS:

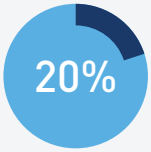
The County building was 90% occupied 45 days after opening.



The County Headquarters is designed to achieve a 42% reduction in water usage compared to code.



88% of construction materials used were recycled.



20% of the materials used in construction were sourced regionally (within 500 mi. of the building).

THE COFFEE HOUSE GREEN LEASE CASE STUDY

BREWING UP A PLAN TO PERCOLATE ENERGY SAVINGS

THE CHALLENGE

In order to analyze the potential for cost-effective Energy Conservation Measures (ECMs) for The Coffee House, located at 11300 Juniper Road in Cleveland, Ohio, the Council of Smaller Enterprises (COSE) performed a thorough energy assessment. They found that the 9,233 square-foot building consumed 121,560 kilowatt hours (kWh) of electricity and 4,119 therms of natural gas per year for a total annual energy expenditure of $18,187 per year. The largest three consumers of energy being heating, cooling, and miscellaneous appliances, which represented approximately 93 percent of total annual energy consumption.

Out of the many ECMs considered, 13 rose to the surface as candidates for implementation. They included reduction of plug loads through controls, upgraded lighting, proper set points on thermostats, and several behavioral measures. If all ECMs were implemented, the facility could expect to reduce electricity consumption by 12 percent and natural gas consumption by 32 percent. This would produce an annual operational savings on the order of 14,761 kWh and 1,326 therms for a combined $2,950 of utility and operations & maintenance (O&M) expenditure reduction. The full implementation cost of these projects was estimated at $8,630, yielding a simple payback of 2.9 years.

The Coffee House

The Coffee House was founded in 2009 and is owned by Case Western Reserve University. The shop is situated in a three-story building located in a center of education, medicine, arts, and cultural institutions, known as University Circle. In addition to coffee, the business serves homemade pastries, teas, soups, sandwiches, and pasta. The Coffee House building was originally constructed in 1907 as a residence by the founder of Central National Bank, and comprises approximately 9,233 square feet, including the basement. It was later endowed to Case Western and lived many lives before transforming into the retail establishment that it is today.

Looking deeper at potential changes, an energy audit and a green lease can address both landlord's and tenant's sustainability goals.

Although the payback was short, the investment was still more than The Coffee House could pay up front, and the business needed to evaluate its long-term investment in a building it didn't own. Upon meeting with Eric Meyer, one of the business's managing partners, he informed COSE that their lease was due for renewal, which is typically the best time to discuss modifications to a lease. He was intrigued to learn about the concept of green leasing and eager to introduce new energy-saving language to Case Western. Meyer saw the lease renewal as a great opportunity to get the University on board to help reduce utility costs and integrate the building into the campus-wide sustainability master plan.

As Meyer and other savvy tenants and landlords have come to realize, an energy audit combined with a green lease can address the sustainability goals of both parties, establishing a framework to justify costs and savings, and innovatively working building enhancements into the lease.

THE SOLUTION

During the lease negotiations for a 10-year renewal, Case Western agreed to share utility data since The Coffee House has ownership of the utility bills, and the University provides a monthly reimbursement based upon square footage. Having more transparency and data sharing will allow both parties to fully grasp how the building uses energy.

Case Western and The Coffee House agreed to create separate agreements outside of the standard lease that address the green leasing provisions requested, such as upgraded lighting, windows, and HVAC. Both parties also agreed that the University's sustainability director will incorporate The Coffee House into its master plan, which had not been considered before.

Specific ECMs that The Coffee House will focus on are:

CHANGE LIGHTS IN EXIT SIGNS TO LEDs that yield a simple payback of less than one year. Not only do LEDs use less energy, but they also last much longer than both incandescent and CFL bulbs, reducing maintenance costs.

LIGHTING RETROFITS with a simple payback of 2-5 years. Savings can yield $0.20-0.25 per square foot, or about 15-30 percent of energy costs. Lighting retrofits are the most effective and least expensive when combined with the installation of advanced lighting controls.

ADVANCED LIGHTING CONTROLS also have a simple payback of 2-5 years and yield 15-20 percent in energy savings. This ECM will provide greater control for overhead lighting and using available daylight. The lighting controls also include occupancy sensors to ensure unnecessarily lit areas like restrooms and the basement waste less energy.

Having more transparency and data sharing will allow both parties to fully grasp how the building uses energy.

ALIGNING TENANT AND LANDLORD GOALS

Green lease provisions will increase savings opportunities.

The Institute for Market Transformation (IMT) has worked with Cleveland small businesses to enhance their leases to incorporate sustainability measures. As part of their efforts, IMT conducted an extensive review for The Coffee House's existing lease and suggested they, along with Case Western, consider the following lease provisions to increase savings opportunities:

CAPITAL EXPENSE SHARING: From time to time, capital expenditures may be incurred during the lease term on the tenant's or landlord's end for energy efficiency retrofits and upgrades. The lease can be used to communicate the benefits, costs, rights, and obligations to the landlord, its tenants, and its appropriate legal parties.

ONGOING ALTERATIONS: This lease provision ensures that planned alterations within and surrounding the premises are designed, constructed, and operated in an energy-efficient manner. Case Western is obtaining quotes on updating some of the exterior lighting, for example. As a result of The Coffee House's long-standing relationship with the University, both parties are actively communicating about all of these aspects.

LANDLORD AND TENANT MAINTENANCE—SUSTAINABILITY BEST EFFORT: This clause describes required efforts and reinforces a mutual understanding for both parties to take steps towards greener and more energy-efficient operations. Case Western will engage The Coffee House in its campus-wide sustainability master plan and set forth building-wide energy use reduction goals, slashing unnecessary use of electricity, water, heating, and air conditioning. The operation of common spaces and core building systems should align with the sustainability goals mentioned for both landlord and tenant. The Coffee House should also strive to meet building-wide energy use reduction goals, using the recommended use of window shades and curtains to keep out summer heat and keep in warmth during winter months.

CREATING A SHARED VISION

Small businesses are largely focused on their daily sales—for The Coffee House, that includes attracting more customers to come in and purchase food and coffee. However, operations is another key area that businesses need to address to keep costs down. Energy efficiency upgrades present an opportunity for small businesses to shave dollars from their operating expenses. Yet, many don't know where to start or how to effectively allocate their limited resources. In fact, the presumed upfront costs often prevent businesses from even analyzing their opportunities for improvement.

Receiving an energy audit combined with green lease recommendations can provide landlords and tenants a solid framework that lends to a more informed and credible conversation. Both parties strive to reduce energy consumption; how they go about achieving it and sharing in the costs and benefits can be recognized through a mutually agreed-upon plan.

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