



GREEN LEASE LEADERS: USING THE LEASE TO MAKE BUILDINGS MORE HEALTHY AND EFFICIENT



→ THIS RESOURCE IS PART OF A SERIES TO SHOWCASE EXCITING GREEN LEASE TRENDS AND STORIES ABOUT THE GREEN LEASE LEADERS THAT ARE DRIVING THEM. VISIT [GREENLEASELEADERS.COM/RESOURCES](https://greenleaseleaders.com/resources) FOR MORE ON HOW GREEN LEASE LEADERS ARE USING THE LEASE TO CATALYZE HIGH PERFORMANCE IN BUILDINGS.



COMMERCIAL BUILDINGS ACCOUNT FOR APPROXIMATELY 20 PERCENT OF ENERGY USE IN THE U.S. , WITH LEASED SPACES REPRESENTING 50 PERCENT OF CONSUMPTION.

Conventional leases typically result in the creation of the split-incentive issue where owners are responsible for capital costs for energy efficiency and tenants reap all the benefits through reduced operating expenses, or vice versa. Green leases, also known as high-performance or energy-aligned leases, break down pervasive barriers in the commercial, industrial, and retail sector by equitably aligning the costs and benefits of energy and other sustainability investments of building owners and tenants so they can work together to save money, conserve resources, and ensure smarter, more efficient operation of buildings.

A study by the [Institute for Market Transformation \(IMT\)](#) shows that green leases have the potential to reduce energy consumption in U.S. office buildings by as much as 22 percent, yielding reductions in utility expenditures in commercial buildings up to \$0.51 per square foot. This research shows that when executed, green leases have the potential to provide the leased U.S. office market alone \$3.3 billion in annual cost savings.

Since its inception in 2014, [Green Lease Leaders](#), a nationally-regarded industry recognition program created and managed by the IMT and the U.S. Department of Energy's (DOE) [Better Buildings Alliance](#), has grown to represent over 1.8 billion square feet of building space – a clear indication that green leasing is no longer considered an exception, rather it is becoming best practice across real estate markets. As building efficiency efforts have progressed to more advanced holistic approaches, green leases have evolved as well. The 2018 cohort of Green Lease Leaders are using the lease to address multiple demands and priorities. These days, a green lease that also incorporates occupant health and wellness is increasingly important, as more tenants are demanding buildings with health-minded attributes for their employees.

Lease agreements that factor in health and wellness create a strong value proposition for both landlords and tenants. For the landlord, research has shown that in new buildings, the additional first costs spent on health and wellness initiatives are quickly recouped. In 2010, Harvard University [conducted an analysis](#) that found medical costs fell by about \$3.27 for every \$1.00 spent on wellness programs. In some existing buildings, landlords have commanded a premium rent for a health- and wellness-focused space. A study by Urban Land Institute evaluated health and wellness attributes in 13 properties and [reported positive financial results](#) that “exceeded developer expectations with rapid lease-up and sales rates, higher rents than pro forma projections, rent and sales premiums, and waiting lists.” New interest by lenders and investors was also noted in the study.

For tenants who already value energy efficiency and sustainability, collaborating with landlords on health and wellness is a logical next step. This added focus is demonstrated by the growth of rating systems that promote health and wellness like the [WELL Building Standard](#) and [Fitwel](#). Though not common yet, owners and tenants are incorporating the principles of these rating systems into their green leases and raising the bar for industry lease standards. Factors such as indoor air quality, healthy & sustainable material selection, healthy food options, biking and other exercise incentives, daylight and views, and other health and wellness strategies will become more important for firms striving to stand out from their peers.

In the following case study vignettes, IMT and DOE's Better Buildings Alliance highlight 2018's Green Lease Leader designs that have successfully implemented health and wellness strategies into their green leases and overall operations. In each vignette, leading sustainability professionals share their organization's best practices that every real estate or sustainability practitioner should consider when leasing property.

[Federal Realty's](#) lease requirements for preventive maintenance, integration of pest management and green cleaning programs, and its use of a rooftop farm to grow healthy food while yielding other sustainability benefits.

[Ivanhoe Cambridge's](#) lease requirements to ensure good indoor air quality, use of non-toxic products, and its provision of bike racks and electric vehicle charging stations at properties to encourage healthy and environmentally-friendly transportation.

[TD Bank's](#) integration of its updated energy management plan into lease agreements and its collaboration with landlords to provide employees with health and wellness-focused amenities such as a professional-grade gym and shuttle bus service for employees.

[The Tower Companies'](#) efforts to earn the first ever [Fitwel](#) health and wellness certification for a multifamily residential building while incorporated green building guidelines and requirements into its residential lease.



use a welcome book to lay out the main points of the lease and the rules, but it's also how we build a relationship with tenants. It shows them how they can accomplish their goals and how, by doing so, we can also achieve ours."

Federal Realty's green lease requirement for preventive maintenance is one way it focuses on health and wellness. Requiring quarterly maintenance on HVAC systems, including filter changes, as well as integrated pest management and green cleaning programs all have a positive influence on the health and wellness for both the tenant companies and their customers. Focusing on health and wellness for Federal Realty is more than just the right thing to do. "The financial justification comes back to the idea that with proper maintenance, buildings operate at a much better level," said Becker.

For Federal Realty, incorporating sustainability, health, and wellness into lease agreements is also a strategic approach to appeal to its retail tenants' customers and achieve a longer 'dwell time' at businesses. A longer dwell time means customers are staying at the property longer, and therefore presumably spending more money—a value proposition with which any retail organization would be delighted.

Using a rooftop farm to achieve health and wellness benefits for landlords and tenants

For Federal Realty, health and wellness is as much about outside space at its properties as it is tenant space. Nowhere is that better illustrated than the rooftop garden at its Pike & Rose mixed-use development in North Bethesda, Md. The 17,000-square-foot rooftop garden yields fresh produce, delivered to tenants who sign up for a Community Supported Agriculture (CSA) membership. Although not directly tied to Federal Realty's lease, the rooftop farm promotes smart operations and measures and create a simple pathway for achieving mutual landlord-tenant social and sustainability benefits centered around health and wellness. As a national trend toward local produce and farm-to-table food continues, the Pike & Rose rooftop garden is a striking example of a success. "What we have found is that our tenants are not only happy to participate in its crop production but we can offer our restaurateurs the ability to craft unique and farm fresh creations right from the rooftops less than 250' from their premises," said Becker.

Appealing to tenant companies and their retail customers with health and wellness

Federal Realty Investment Trust (Federal Realty) owns nearly 24 million square feet of retail and mixed-use space on both coasts, from Washington, D.C. to Boston, and in San Francisco and Los Angeles. Many of the company's tenants have triple-net leases, so Federal Realty has begun using green leases to sync up its sustainability and health and wellness goals with those of its retail tenants. The company provides a welcome book for its tenants that builds on the requirements for indoor air quality and other aspects of health and wellness in its green lease.

"Sustainability is a part of who we are," said Ron Becker, Federal Realty's National Director of Property Operations. "We



Above: Pike & Rose mixed-use development in North Bethesda, Md. The 17,000-square-foot rooftop garden yields fresh produce, delivered to tenants who sign up for a Community Supported Agriculture (CSA) membership.

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IVANHOÉ CAMBRIDGE

A step up for retail health and wellness

For Ivanhoé Cambridge, a Quebec-based real estate company with assets in Canada, the United States, and across the world, real estate is about creating living, healthy spaces for occupants and visitors. The company owns retail, industrial & logistics, residential, hotel, and office buildings, in addition to both owning and managing retail and offices. It addresses health and wellness both through its leasing and its property operations.

Ivanhoé Cambridge's retail lease details its intention to provide tenants with a healthy indoor environment and to use only non-toxic, low-impact products in the operation and maintenance of its properties. In addition, tenants are provided with a Tenant Construction Manual and a Tenant Sustainability Guide to assist them in making sustainable and healthy improvements to the design and operation of their spaces. The lease also requires that they implement an indoor air quality plan during construction activities to reduce the production and spread of pollutants during renovation work.

In addition to its lease requirements for health and wellness, the company opens many of its shopping centres several hours before stores open year round to encourage to encourage members of the community to show up and walk. "Mall-walking [exercise] programs are really popular, especially during the cold winter months," said Patrick Culhane, Manager, Energy and Sustainability for Ivanhoé Cambridge. Promoting both active and more environmentally-friendly transportation is also something Ivanhoé Cambridge is working to improve. Initiatives include, the installation of bike racks close to property entrances, the creation of designated parking spaces for hybrid and electric vehicles (EVs), and a growing number of EV charging stations in properties across the country. "In regards to health and wellness, you're targeting tenants, but also shoppers," said Culhane.

Above: One of the largest shopping centers in Canada, the Vaughan Mills Shopping Centre in Vaughan, Ontario (a suburb of Toronto) is one of Ivanhoé Cambridge's best examples of successfully implementing health and wellness strategies. The facility includes regular indoor air testing, green cleaning, and an integrated pest management program. A popular daily mall-walking program encourages fitness and health. And an expansion to the facility that opened in 2015—the Sport Neighbourhood shopping centre—is certified Gold with LEED Core and Shell. The whole property is certified BOMA BEST Gold.



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TD BANK

Integrating the lease with an environmental management plan

TD Bank has made sustainability a core of its business culture for many years. In 2010, the 85,000-employee bank became the first North American financial institution to have completely carbon neutral operations. In 2013, it completed its first net-zero energy bank branch, a LEED Platinum building located in Fort Lauderdale, Fla.

For TD Bank, integrating sustainability, health, and wellness into its leases was a natural step to take. In 2016, the bank started updating provisions in their existing environmental management plan (EMP) as the basis for lease requirements and worked with landlords to integrate the provisions of the EMP into spaces the bank was leasing. By early 2017, the plan had been rolled out to nearly 20 percent of the bank's leased space, representing 4.5 million square feet of space.

A major part of TD Bank's EMP identifies its interest to build, operate, and occupy spaces that promote health and wellness with its occupied footprint. The EMP "serves as a powerful mechanism to strengthen energy management, water conservation, waste diversion, and promote health and wellness within the built environment we occupy," said Irena Stankovic, Environmental Outreach Manager for TD Bank.

Communication is key to success for a program of this importance, and so the bank encourages landlords to provide a method for discussing topics related to the bank's EMP and health and wellness initiatives, such as ensuring occupants have access to daylight. This will "enable TD to collaborate with our landlords on sustainability initiatives that can positively drive occupant behavior," said Stankovic. In addition, TD Bank is looking to collaborate with landlords to meet ASHRAE and WELL standards for enhanced outdoor air delivery, increased filtration, and promotion of healthy meals and fitness options.

Above: TD Bank's leased space at McNabb Campus in Markham, Ontario, Canada provides an illustrative example of the company's collaboration with landlords on green leases that factor in health and wellness. Together with broker CBRE and landlord OPTrust, the bank extends its environmental provisions beyond the brick and mortar buildings to target occupant health and wellness. "The McNabb Campus provides TD's employees ample property amenities, including professional grade gym, bike storage options, and electric charging stations," said Stankovic. To help promote a healthy work-life balance, TD Bank and the landlord have also worked together to support a shuttle bus service to make it easier for employees to commute to and from the office.



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THE TOWER COMPANIES

Making health and wellness a part of its buildings' DNA

The Tower Companies (Tower) was an early green lease adopter, incorporating high-performance language into its leases starting in 2008 using the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system as a guideline. Today, more than 90 percent of Tower's commercial office portfolio is operating under a green lease.

In January 2018, Tower became a Fitwel Champion, committing to certify several properties with the health and wellness rating system, (Fitwel is operated by the Center for Active Design and is supported by the Center for Disease Control and the General Services Administration). "The saying 'a green building is a healthy building' is true, but a rating system like Fitwel validates it," said Jonathan Bauer, Sustainability Analyst for Tower. "The Fitwel scorecard helps our team brainstorm new ideas and inspires us to engage our residents and clients around health and wellness." In May 2018, The Tower Companies earned the first Fitwel Certification for a multifamily residential building in the world – The Pearl in Silver Spring, Md. The Pearl also incorporated green building guidelines and requirements into its residential lease, a milestone considering that multi-family green leasing is a mostly uncharted area.

Tower has been incorporating health and wellness elements into its green leases for years, such as requiring an indoor air quality

(IAQ) management plan during construction and pre-occupancy phases, and an IAQ measurement & verification test after the tenant build-out is complete. Among other green lease clauses such as utility data sharing language in order to comply with local energy benchmarking laws and encouraging tenants to save energy from plug loads, the company's lease also includes guidelines for green cleaning, integrated pest management, and health-conscious material selection. Tower's lease goes even further by encouraging tenants to consider open office designs to increase access to daylight and quality views.

For Tower, green leasing is the foundation of strong partnerships with their clients, to help improve sustainability, health and wellness, and quality of life for building occupants. Focusing on health and wellness policies, programs, and amenities has also helped Tower attract and retain tenants, which are increasingly looking for innovative and engaging spaces that spur productivity for their employees. "A focus on health and wellness is not just a short term trend. We recognize that this thoughtful investment in people brings long term value to us, our tenants and their businesses by increasing productivity, collaboration, and ensuring an enjoyable workplace environment." said Eugenia Gregorio, Vice President of Strategy and Sustainability for Tower.

Above: 2000 Tower Oaks is a 200,000 sq ft. commercial office building, located just 12 miles northwest of the U.S. Capitol in Washington, D.C. Recognized as one of the world's greenest buildings, it was designed under the highest principles of sustainable and Vastu architecture in order to promote wellness, harmony, and corporate success and was the first LEED® Platinum office building in the Mid-Atlantic Region. Far exceeding industry standards in the built environment, the building uses cutting-edge design and operational best practices to optimize health and productivity in the workplace, while minimizing impact on the environment.



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BECOME A GREEN LEASE LEADER

If you are a tenant encouraging your landlord to collaborate on sustainability goals, or if you're a landlord working closely with tenants to make their space more efficient and healthy, you might be a candidate for IMT and DOE's Green Lease Leaders recognition.

A first step is to assess your lease and corporate documentation in comparison to the standards specified by the Green Lease Leaders recognition program. Even if you are not currently including energy efficiency and sustainability in your lease, but practice sustainability in building operations and management, the Green Lease Leaders criteria can serve as a guide for enhancing a lease to account for sustainability. For more information on applying for Green Lease Leaders, or for help in building your own green lease, contact IMT at imtweb@imt.org or visit the Green Lease Leaders website to learn more about the program and how to apply for recognition: <https://www.greenleaseleaders.com/apply/>