



# GREEN LEASING

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## WHAT IS A GREEN LEASE?

Green leasing (also known as energy-aligned, high-performance, or energy-efficient leasing) aligns the financial and environmental goals of landlords and tenants to work together to save money, conserve resources, and ensure the efficient operation of buildings.

## GREEN LEASING BENEFITS

- **Lower operating expenses**
- **Increased occupancy and base rents**
- **Assistance meeting corporate sustainability goals**
- **Improved employee productivity**
- **Employee attraction and retention**
- **Preparation for future regulations**

**“Within our efforts to develop high-performance buildings and maintain healthy, productive work environments, the lease plays an important role by laying the groundwork and ensuring a win-win outcome with the tenants.”**

—Marla Thalheimer, Liberty Property Trust,  
a 2014 Green Lease Leader

## BUILDING THE CASE FOR GREEN LEASES

Green leasing changes lease documents to define how the parties will implement sustainability or energy measures. More specifically, green leases are used to overcome the split incentive problem that is often cited by property owners a key barrier to energy efficiency projects. In many commercial lease structures, the party expending capital for an energy efficiency upgrade does not benefit from the savings created by that upgrade. This occurs most frequently in leases where tenants pay for energy usage, but the landlord is wholly responsible for capital improvements. By addressing the split incentive and other energy issues, landlords and tenants can use the lease as an avenue for significant energy savings.

## ENGAGE LEASING STAKEHOLDERS

In addition to landlords and tenants, leasing agents, and lawyers play key roles in the leasing process. For any company looking to adopt green leasing practices, gaining buy-in at the outset of the lease process is critical. The earlier in the leasing process that both parties make their sustainability goals clear, the more likely it is that green language will stay in the finalized lease.

Engaging stakeholders early on will help address common hurdles of different lease types. Office leases, for example, tend to be some form of gross lease, while retail leases are almost always triple net (where the tenant pays for insurance, taxes, and operating expenses). Triple-net and modified gross leases frequently create a split incentive, so adjusting cost pass-through language is often the first step in greening these leases.

Full service leases allow a landlord to benefit directly from any energy savings, so tenant engagement programs are vital. Sub-metering, utility data sharing, and green tenant build-outs are best practices for all lease types.

## ACCESS THE GREEN LEASE LIBRARY

The Green Lease Library, [www.greenleaselibrary.com](http://www.greenleaselibrary.com), is an online hub for green leasing resources, created by the U.S. Department of Energy, U.S. General Services Administration, Building Owners and Managers Association (BOMA), Consortium for Building Energy Innovation, IMT, Natural Resources Defense Council, Rocky Mountain Institute, and New York University. Well-known lease resources available online include:

- BOMA's Commercial Lease Guide
- RILA/IMT Retail Green Lease Primer
- The RMI-BOMA Guide for Landlords and Tenants
- The Tower Companies Green Lease Implementation Model



## LEADERS IN ACTION

IMT and the Department of Energy's Better Buildings Alliance applauded the Green Lease Leaders of 2014.



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## ARE YOU A GREEN LEASE LEADER?

Your organization works hard to create energy-efficient leases. You devote time and resources to harmonizing landlord and tenant interest, while educating leasing agents and brokers on the benefits of new green clauses. Get your organization recognized for its efforts by applying to be a 2015 Green Lease Leader.

Green Lease Leaders are commercial brokers or brokerage teams, commercial landlords, and commercial tenant companies who incorporate green lease language into their portfolios and demonstrate replicable solutions that can be employed by others. The Green Lease Leaders recognition program was developed by the Institute for Market Transformation (IMT), with support from the U.S. Department of Energy's Better Buildings Alliance, to shine a spotlight on these forward-thinking companies.

### ARE YOU ELIGIBLE?

To earn a Green Lease Leader designation, applicants must:

- Have signed and executed at least two green leases in their portfolio
- Meet the minimum square footage of green lease coverage of 10,000 gross square feet (individual brokers or broker teams) or 50,000 square feet (tenants and landlords)
- Submit a narrative description of the applicant's internal green leasing initiative, along with a completed application and a small entry fee.

### WHAT GREEN LEASE LEADERS RECEIVE

Green Lease Leader recognition is valid for two years from the date of issue. Leaders raise their sustainability profile by being mentioned in industry trade publications and at industry meetings, and will be formally recognized during a Green Lease Leader award ceremony. Green Lease Leaders also receive an official seal to display within their buildings, on their corporate collateral, and on industry websites.

### HOW TO APPLY

Applications for a 2015 Green Lease Leader designation are due April 8, 2015. To learn more and to download a program application, visit [www.greenleaseleaders.com](http://www.greenleaseleaders.com) or contact Andrew Feerman at [andrew.feerman@imt.org](mailto:andrew.feerman@imt.org) or 202.525.2883, x301.