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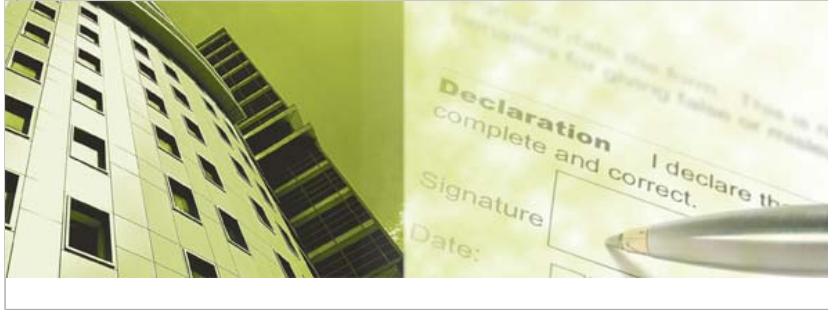
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Green Leasing: From Concept to Execution

Make sure landlord/tenant sustainability goals line up
By Mark Jewell



Green leasing helps landlords and tenants manifest the sustainability goals they share. It also provides a hedge against rising costs for trash removal, energy, and water; preemptively addresses tightening building codes; or differentiates a space in a soft leasing market.

Whether you're a landlord or a tenant, the first step toward a green lease is reaching consensus on the attributes you intend to highlight in your space. You may prefer a comprehensive approach – the full complement of energy- and water-sensitive design and operating practices; environmentally preferred products and services; high standards for ventilation, air quality, natural light, and noise mitigation; integrated waste-management practices; and more. Or, you can focus on the initiatives that are the most practical or cost-effective to implement.

The next step is deciding how significantly the lease should influence landlord or tenant behavior. Will it set building-wide green standards for fit-out materials, energy consumption, waste disposal, etc.? Will the landlord simply provide green interior and exterior common areas, and rely on the tenants to make environmentally appropriate decisions?

Quantify Requirements and Set Enforcement Protocol

Both parties must agree on realistic, quantitative targets for all metrics worth measuring (e.g. resource efficiency, waste minimization, and indoor air quality), as well as the type and frequency of reporting. These data points will ensure that all parties are working in concert – and satisfy the reporting obligations of whatever green rating systems the building embraces.

Before obligating either party to a green standard, practice, or reporting protocol, be sure it's attainable and cost effective. Will the lease contain green provisions that bind landlord and tenant? Who will be responsible for what?

The lease should also define "who pays for" and "who benefits from" greening investments, and whether those investments will be capped. Split incentives can easily stymie an otherwise well-conceived green agenda. For example, a landlord may be unwilling to fund energy-efficiency improvements if he's under the impression that the tenants will receive all of the savings. Sharing best practices and giving recognition for a job well done are also vital since many green behaviors occur within the tenants' space and can't be governed by the building's lease form.

Assemble a Green Document Set

The term "green lease" implies that a single document can describe the sustainability goals of the landlord and tenant, how those goals impact tenant fit-out, how to set and track sustainability metrics over time, how to resolve disputes and remedy noncompliance, and more. It's unlikely that any single "green lease" or "green lease addendum" could cover all of these bases well – especially since a building's sustainability profile is highly influenced by the day-to-day decisions that tenants make equipping and conducting their own operations. It's better to supplement the lease with the following exhibits or appendices:

- Guidelines for materials and procedures related to tenant fit-outs.
- A green tenant primer that addresses office equipment use, recycling, travel, and other day-to-day practices.
- Procurement guidelines that reinforce goals of resource efficiency, good indoor air quality, etc.

Collectively, these materials provide greater detail than any single document could. They also distinguish items that are within the landlord's control (and enforceable under the terms of the lease) from ones that may be just as important to the building's sustainability rating, but depend on the tenant's voluntary compliance.

For additional information on green leasing, as well as other ways to apply resource efficiency to landlord/tenant settings, visit www.betterbricks.com/office.

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