Denver Smart Leasing

September 17, 2019
AGENDA

- Context: Denver’s Goals
- What is Smart Leasing?
- Why Engage in Smart Leasing?
- How? Activities for Stakeholders
- A Tenant’s Perspective: Claire Carmelia, World Wide Technology
- Take Action: Pledge & Resources
Denver Climate Goals, 80x50 Plan

Energy Efficient Existing Buildings
- Buildings use 10% less energy in 2020
- Buildings use 30% less energy in 2030
- Buildings use 50% less energy in 2050
- Heating emissions reduced 50% by 2040

Denver’s 2050 climate goal is to reduce GHG emissions by 80%
Why Smart Leasing

- Leased Commercial Space in Denver represents about 9% of total City emissions
- 103 Million Square Feet of Leased Space (449 Million sq.ft Total)
- 23% of Building Stock
Why Smart Leasing

Leased Commercial Space in Denver is about 23% of the entire Building Stock

This is equal to about 9% of all of Denver’s GHG emissions

103 Million Square Feet of Leased Space (449 Million Total)
Smart Leasing

Any activity that better aligns the interests of tenants and landlords to achieve healthy, high-performance, and energy-efficient buildings.
Leasing is a Process...

- Pre-lease & site selection
- Lease Negotiation & Build out
- Occupancy & Operations
Why Smart Leasing?

- Improve employee productivity, retention, and sales
- Lower operating costs
- Align with employee green values
- Talent retention

Tenants
Why Smart Leasing?

- Improve asset value through reduced operating costs and increase tenant retention.
- Increase NOI
- Align with employee green values
Why Smart Leasing?

- Grow client base
- Assist clients in capitalizing on leasing cost-efficient space
- Meet the growing demand for healthy, high performing buildings
- Aligns with clients’ sustainability goals.

Brokers, Attorneys, Architects, Designers, and Space Planners
Smart Leasing Steps for Tenants

- Work with your broker to create site selection criteria that prioritize efficiency and meet your needs.
- Ask prospective landlords what the ENERGY STAR® score of the building is and what energy efficient features are installed.
- Submeter energy use in your leased space to the extent possible and ask that the landlord provide monthly updates on energy consumption.
- Build out your space utilizing energy efficient strategies such as natural lighting, ENERGY STAR appliances, occupancy sensors and programmable thermostats.
Promote the energy-efficient features of your property to the market, including the ENERGY STAR® score.

Set efficiency standards build out of leased spaces and communicate your criteria and its benefits to prospective tenants.

Submeter your tenant spaces to increase transparency and provide data that can help you target and pursue energy-efficiency improvements.

Implement, evaluate, and continuously improve energy management practices throughout building operations to establish consistency towards achieving efficiency goals.
Smart Leasing Steps for Brokers

- Attend trainings or other educational events and review resources to be able to articulate the value of energy efficiency to clients.

- Share information and resources with tenants that explains how leasing energy-efficient space can improve employee productivity and retention while reducing utility costs.

- Share information with landlords or property owners that explains how leasing energy-efficient space can improve market value through reduced operating expenses and increase tenant retention.

- Align site selection processes with landlord and tenant sustainability goals and interests to overcome the split incentive.
Smart Leasing Steps for Attorneys

- Attend trainings or other educational events and review resources to be able to articulate the value of energy efficiency to clients.
- Share information and resources with tenants that explains how integrating green lease language can improve employee productivity and retention while reducing utility costs.
- Share information with landlords or property owners that explains how integrating green lease language can improve market value through reduced operating expenses and increase tenant retention.
- Align lease language with landlord and tenant sustainability goals and interests to overcome the split incentive.
Smart Leasing Steps for Architects, Designers, Space Planners

- Share information and resources with tenants to explain how selecting energy and cost-efficient options can increase employee retention and reduce utility costs.

- Share information and resources with landlords to explain how selecting energy and cost-efficient options can improve net operating income and increase tenant retention.

- Align site selection and build out processes with landlord and tenant sustainability goals and interests to overcome the split incentive.
Claire Carmelia
World Wide Technology
Steps we are currently taking:

As an office that Certified with the City of Denver Certifiably Green Businesses, we currently take certain steps to improve our energy efficiency;

- Automatic sensors for lights in meeting rooms
- Thermostats with controlled settings
- LED lights in office ceilings for optimal energy efficiency
Denver Smart Leasing from a Tenant’s Perspective

Signing a new lease means new opportunities to look at the workspace being utilized, as well as new opportunity to start off building a better and stronger relationship with our property management team.

Next Steps:

Plan floor space and desk space that will improve upon shared spaces;

- Currently have three floors, and individual cubicles, with individual power strips for equipment
- Employees are responsible for their own equipment and whether or not they power down
- Will have large tables that seat 8, reducing need for lighting in different areas of the room when not in use, combining power strips to plug in equipment, making it easier to enforce Smart Power Strip usage;
  - Help guard against phantom power leaks and can have timers set to turn off in the evenings
  - Easier to turn off all monitors during the evenings and weekends
Denver Smart Leasing from a Tenant’s Perspective

Benefits of the Smart Leasing Program:

Seeing as this program is built to encourage relationship building from the start of the signing of a lease, tenants have a bit of a support system;

- A contact they can call with questions on what is possible/allowed in the office space
- Email with suggestions for improvement - perhaps for next time in the lease renewal
- Aid in the pursuit of energy efficiency, as it will now be a common goal for both sides of the aisle.

The program itself, simply by existing, is an incentive for tenants to take more responsibility for their energy use.
Obstacles that have arisen:

- Getting corporate approval to publicly sign a pledge;
  - For a global company, how does signing a pledge in one city affect its image?
  - Does the marketing team agree that signing this pledge aligns with the brand the company is portraying?
  - Who from the company will sign the pledge?
  - Will the company release a statement or press release in cooperation with signing the pledge?
Denver Smart Leasing from a Tenant’s Perspective

We are fortunate to live in Denver, a city that is taking the initiative of creating a program that raises the bar for local business, business partners, and property management companies, and encourages these partners to commit to their actions by writing them into lease agreements from the start of the partnership. This encourages company-wide, progressive daily changes, and provides the support and information to help business make those changes.

It is in our business’ interest to take advantage of the opportunity. Join us as we build a program that sets precedent for cities and Counties across Colorado, as well as across the nation.
WHERE TO START?
Take the Pledge!

I pledge to recognize, implement, and encourage smart leasing practices as I am able.

- I recognize the value of smart leasing practices
- I will implement smart leasing as I am able
- I will encourage others to integrate smart leasing practices


Commit to having conversations about energy efficiency during pre-lease and site selection, lease negotiation and build out, and occupancy and operation that you may not be having at this juncture.
Provides **tools**, **training** and **resources** to better align the interests of tenants and landlords to achieve **healthy**, **high-performance**, **energy-efficient** buildings **through better conversations** at all stages of the leasing process.
Program Resources

- Access to expert advisors
- Case studies from peers
  - Have a story? Get in touch: smartleasing@Denvergov.org
- Best practice documents
Available Resources

Webpage

Available Resources

Guidance
Documents

SMART LEASING AID

Tenants

Pro-Lease Guide
Leasing energy-efficient spaces can benefit employees productively, retain, and save through improved indoor comfort, reduced absenteeism, and reduce in monthly utility costs. Decreasing light levels is the critical first step for any smart building to reduce its energy impact. With the tenant's participation, tenancy can be leveraged to reinforce the tenant relationship and foster a sustainable relationship with potential landlords.

Build a Team with Expertise
Select a leasing broker who understands the value of leasing energy-efficient spaces and is knowledgeable about the market for high-performance buildings. A team of professionals during lease negotiations, including brokers, building owners, and tenants, are in a unique position to align the corporate sustainability goals of tenants and landlords.

Request energy-performance information:
Request energy-performance information such as a Building Energy Use Intensity (BEUI) from a previous landlord or commercial property management company. This information can help determine the current energy consumption of the building or office space and compare it to similar buildings. The National Renewable Energy Laboratory (NREL) provides a guide to help tenants understand the energy performance of different commercial spaces.

Baseline efficiency requirements in RFP:
After reviewing the initial options, the landlord or management company will issue a Request for Proposal (RFP). The RFP should be tailored to the property management or landlord through a letter. Sustainability priorities and energy-efficiency goals should be embedded in the RFP to communicate the organization’s goals and needs clearly to potential landlords.

Letter of Intent:
The letter of intent (LOI) is an opportunity to be signed in the lease to ensure that the building's sustainability and energy efficiency goals are embedded in the RFP to communicate the organization’s goals and needs clearly to potential landlords.

Resources:
- NREDC: Exit Seal (Sealing) and Performance Guide (4-Page Guide)
- A Better City: Sustainable Design: Guide to Green Buildings
- New York City (Energy 2010)’s: NYC Energy Leasing & Smart Benchmarking
- U.S. Department of Energy: Energy Audits for Leasing
- RMI and RMI: Green Leasing Guidance

SMART LEASING AID

Landlords

Example Lease Clauses & Provisions:

- The Department of Energy, Institute of Market Transformation, and Office of National Laboratory for Green Leasing Leasing Reference Guide for Landlords offers templates to insert clauses and provisions that can be used to create a collaborative and mutually beneficial landlord-tenant relationship that leads to energy savings.

Provide Sustainability Contact:

- Example Lease Clause:
  Landlord and tenant shall, at no cost to the lessee, provide a list of contacts related to sustainability and energy issues for the tenant. The list shall include specific personnel, billing issues, energy efficiency upgrades, and data access to sustainability contact:
  - Email:
  - Phone:

- Example Lease Provision:
  Landlord may include the costs of capital improvements/[landlord/tenant] and improvements in the lease, and the landlord may recover the cost of capital improvements from the tenant.

- Example Lease Provision:
  Leasehold improvements may include the costs of capital improvements/[landlord/tenant] and improvements in the lease, and the landlord may recover the cost of capital improvements from the tenant.

- Dusk Sales Building Energy STAR Score to Tenant Annually

Example Lease Provision:

- Tenant to receive a score annually with the building’s ENERGY STAR score. The tenant shall receive this score annually and be responsible for maintaining the score.

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Available Resources

Stakeholder-Specific Best Practices

SMART LEASING AND
LANDLORDS & PROPERTY MANAGERS

SMART LEASING AND
TENANTS

Unlock the Value

Tenants leasing energy-efficient space have been proven to improve productivity, retention, and cut out the intermittent center, leading to bottom-line savings by engaging smart leasing into your business practices, you can unlock the value of leasing cost-efficient space that reduces utility costs, shows employee satisfaction, and benefits your bottom line. According to a feasibility study done by the U.S. Department of Energy, commercial tenants who invest in energy-efficient technologies can see between $0.50 and $0.70 in energy savings per square foot of their office space.

Smart Leasing steps for Tenants:

1. Work with your landlord to create a selection criteria that prioritize efficiency and meet your needs.
2. Ask prospective landlords what the ENERGY STAR score of the building is and what energy-efficient features are installed.
3. Subtract energy use in your leased space to the extent possible and ask that the landlord provide monthly updates on energy consumption.
4. Build out your space utilizing energy-efficient strategies such as natural lighting, ENERGY STAR appliances, occupancy sensors, and programmable thermostats.

Resources to learn more:

- A Better City: Green Leasing: An Effective Tenants’ Leasing Strategy for Energy Efficiency
- Exelon’s National Protection Agency (EPAA) ’s Smart Lease Program and Energy Center
- Denver Green Leasing Guide for Landlords
- Denver Green Leasing Guide for Tenants
- Institute of Market Transformation: Smart Leasing: Leasing Leverage for Property
- National Association of Home Builders: Setting High Performance Smart Leasing & Pre-Lease Guide
Additional Resources

Better Bricks:

- Leverage Leasing Practices to Reduce Energy and Utility Costs
- Selling Efficient Spaces: Brokers Bring Green into the Equation

Building Owners and Managers Association (BOMA):

- Green Lease Guide

Department of Energy’s Better Buildings:

- The Business Case for High-Performance Buildings

Institute of Market Transformation (IMT)

- Deep Retrofit Value (DRV) Green Leasing Tool
- The Business Case for High-Performance Buildings

National Resource Defense Council (NRDC):

- Energy Efficiency Lease Guidance

Penn Institute for Urban Research:

- Educating Commercial Real Estate Brokers on Green Leasing/Energy Efficiency
Taking action

Connect with us at smartleasing@denvergov.org to gain access to:
- Expert advisors for implementation
- Free recognition and promotional materials

Check out the Smart Leasing Webpage
- Sign up for our newsletter!

Spread the word with your colleagues:
- Stakeholder specific one-pagers
- Social Media #smartleasing
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