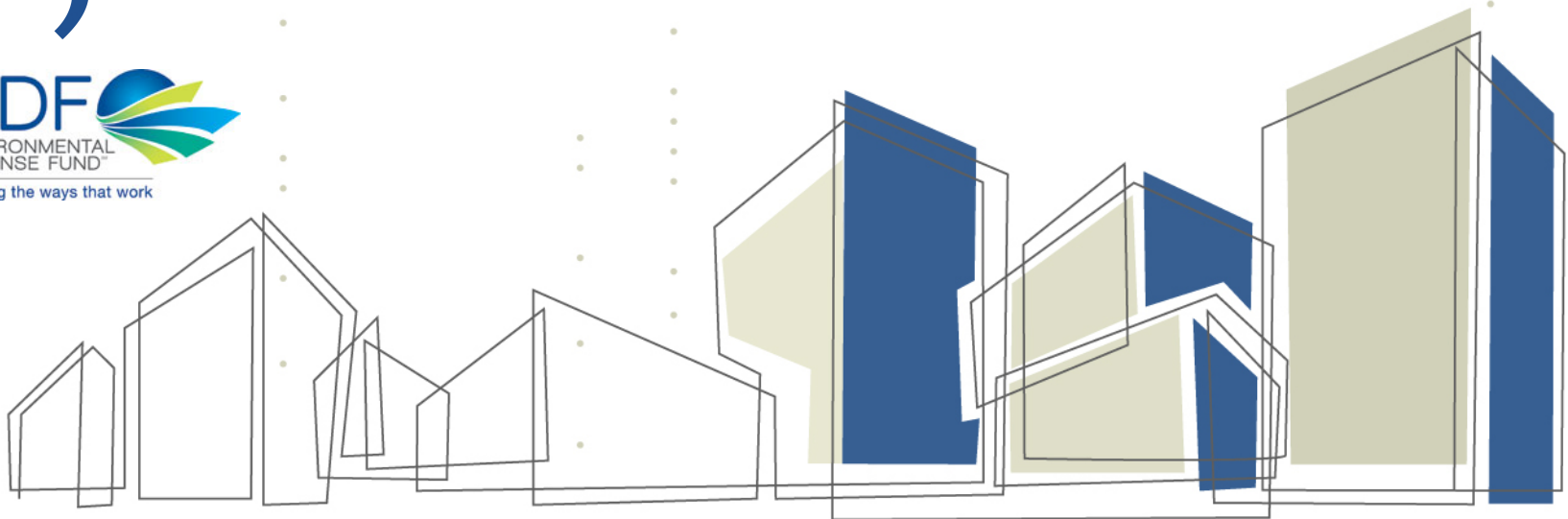


Owner-Tenant Cooperation in Reducing Environmental Impact

Jaxon Love

EDF Climate Corps Fellow
Shorenstein Realty Services



Introduction

Shorenstein Properties

- A fully integrated investment and operating company with over 250 professionals
- Sponsor of ten closed-end funds with aggregate capital commitments of \$6.7B
- Currently owns and manages 23 msf of office properties located in major U.S. markets
- Sustainability program managed by the Shorenstein G.R.E.E.N. Committee



Introduction

Environmental Defense Fund

- a non-profit focused on preserving the climate, oceans, ecosystems, and health

EDF Climate Corps Program

- MBAs and MPAs helping companies, cities, and universities save energy
 - \$1 billion in NPV savings
 - 1 million metric tons CO₂
 - 86% implementation rate

SHORENSTEIN

EDF
ENVIRONMENTAL
DEFENSE FUND
Finding the ways that work

Climate Corps at ShoreNSTEIN

ClimateWire article (March 13, 2012)

“Landlord pitches energy savings to tenants and saves \$1.7 million”

Umair Irfan, E&E reporter

- Much efficiency potential lies in transforming operating practices

Overview

- Sustainability at Shorenstein
 - Green Leasing
 - Tenant Engagement
- Challenges and Conclusion



COMMERCIAL LEASE GUIDE

GUIDE TO SUSTAINABLE AND
ENERGY EFFICIENT LEASING FOR
HIGH-PERFORMANCE BUILDINGS

Green Leasing



Green Leasing

- A **Green Lease** “formalizes the meaning of sustainability between the landlord and the tenant” ¹
- Contractual provisions for sustainable use, operation, and management of a facility
- ¹. *Northwest Energy Efficiency Alliance*



Green Leasing

- **Green Lease Content Areas**

- Building performance rating
- Energy use
- Water use
- Transportation
- Recycling and waste management
- Building maintenance and monitoring
- Green construction



Green Leasing

- Sample Provision: **Demand-only Saturdays**
 - Standard lease requires all systems on six days per week
 - Ramping systems down on the weekend saves energy and cuts operating costs
 - Further opportunity to mirror operation to actual occupancy during the week



Green Leasing

- Sample Provision: **Energy Efficiency Alignment**
 - Addresses the “split incentive” barrier to energy efficiency
 - Landlord recovers the capitalized cost via energy savings
 - Tenant realizes some savings initially, and all the savings once landlord has recovered capitalized cost

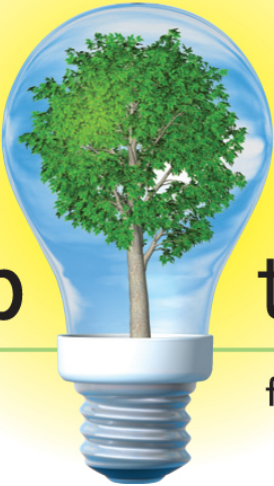
Green Leasing

- **Challenges**

- Is green leasing a competitive advantage?
- **Belief that green operation is more costly**
- Concern over legal implications
- Revising the existing lease portfolio takes time

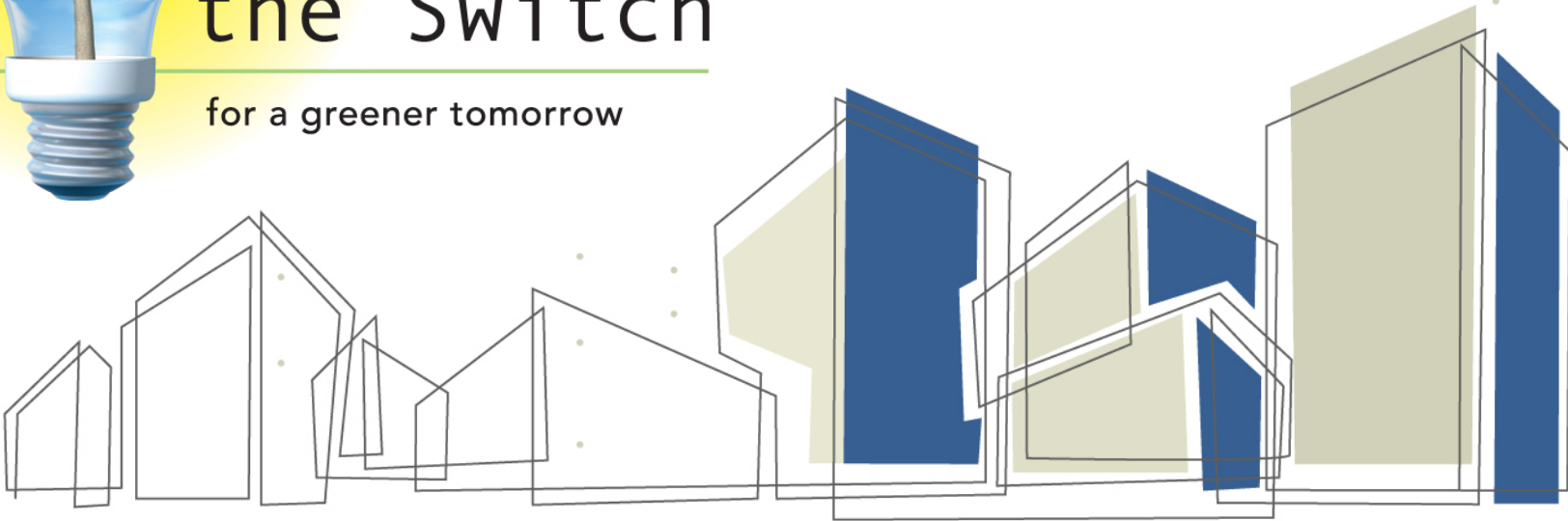


Tenant Engagement



Flip the Switch

for a greener tomorrow



Tenant Engagement

“Flip the Switch” Tenant Tour

- September and October 2011
- All tenants in all markets were invited
- Promoted energy efficiency opportunities



Tenant Engagement

“Flip the Switch” Tenant Tour

- Encouraging sustainable behavior and attitudes
- Focus on environmental impact
- Focus on the basics



Light Green: low/no cost

Green: moderate cost, bigger impact

Deep Green: big impact opportunities

SHORENSTEIN

EDF
ENVIRONMENTAL
DEFENSE FUND
Finding the ways that work

Tenant Engagement

- **Sustainability Website**

- Greenshorenstein.info
- An online resource for Shorenstein tenants
- Enables tenants to create or enhance their own sustainability programs
- Provides educational materials, tools, and links to external resources

Tenant Engagement

- **Challenges**

- Many tenants are not sub-metered, so can't measure their performance
- Rent inclusion and triple-net leases
- **Limited time and expertise**
- Perception that operations are the landlord's responsibility
- Resistance to adopting new technologies or behaviors
- Remaining skepticism about climate change



Conclusion

- Tenant partnership as the path to deep energy savings
- Many institutional and behavioral barriers to overcome
- Making progress and developing new strategies for overcoming barriers

Conclusion

- EDF Climate Corps is changing behavior at a systemic level
- Several real estate participants:
 - Shorenstein
 - Forest City
 - LBA Realty
 - JBG Properties
 - Grubb
 - NYCHA and other housing authorities
- Contact Scott Wood: swood@edf.org



Thank you

