

Managing Energy Consumption and Sustainability in Federally Leased Space

PBS Green Lease / Sustainability Requirements

October 28, 2015

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Office of Leasing**

- **When we discuss leased assets, we are referring to contracts to occupy space, not buildings.**
- **Most GSA leases are for fractional space within a building.**
- **Even when GSA leases all available rentable square footage in the building, we typically do not control mechanical and other support space.**
- **The greater the proportional size of the lease in any given building, the greater the opportunity to implement sustainability measures.**

Distinguishing Federal from Commercial Leases

Category	Commercial	Federal
Bearing of Risk	Lessee	Lessor
Legal Governance	State Law	Federal Law
Contractual Instrument	Lessor	Lessee
Right to Occupancy	None - Eviction	Holdover – Eminent Domain
Procurement	Individual Preferences	Award Factors – Lowest Price, Technically Acceptable or Source Selection
Requirements	Corporate Branding - Individual Preferences	Federal Standards – Agency Mission
Funding	Private Funds	Public Funds
Codes and Standards	Local Codes (e.g. fire and life safety, local ordinances, etc.)	Federal Codes (e.g., fire and life safety, tenant substitution, casualty, security, etc.)
Stakeholders	Boards of Directors, Corporate Officers	Congress, OMB, Client Agencies
Financing	Corporate Funds – Lenders (underwriting)	Appropriations - Scoring



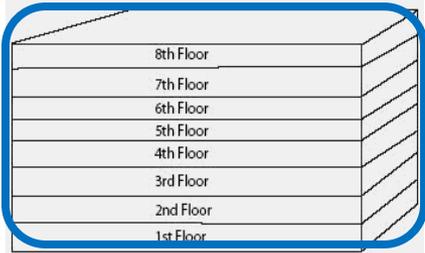
GSA Leased Inventory Profile

Number of Leases*	8,483
Number of Buildings	6,892
Leased Rentable Square Feet	195.27 Million rsf
Average Size Lease	23,019 rsf
Median Size Lease	8,088 rsf
Median Rent	\$24.20
Geographic Distribution of Leases**	49% in Large Towns (Pop = 500K +) 12% in Mid-Sized Towns (Pop. = 250 – 499K) 39% in Small Towns (Pop.<250K)
Percentage of Government Tenancy Within Leased Building	In 23% of (#) Leases, GSA = 95–100% Tenant In 16% of (#) Leases, GSA = 26-94% Tenant In 61% of (#) Leases, GSA = <25% Tenant

* REXUS August 2015 ** US Census county-level data

Leased Inventory Profile by % of Government Occupancy Within a Leased Building

Full Building Occupancy (95-100%)



28% of Total # of Buildings

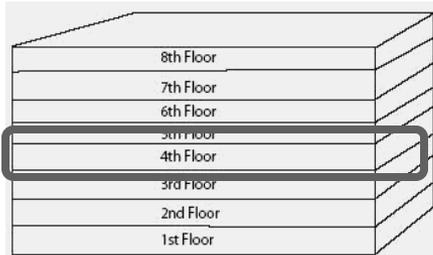
1,963 out of 6,892 Bldgs.

Median size = 13,082 RSF

93% = Fully Serviced; 7% Net Util.

Based on Number of Buildings

Partial Occupancy/ Mid-Sized Tenant (26-94%)



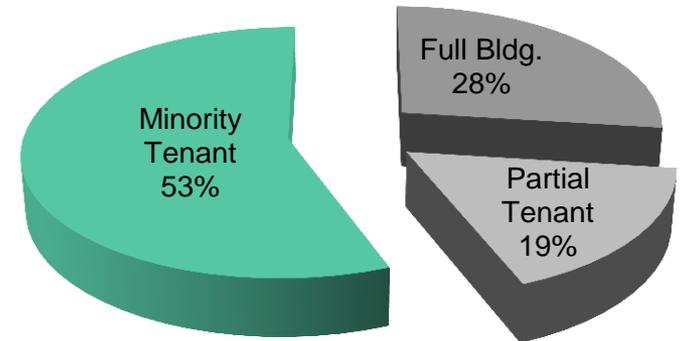
19% of Total # of Bldgs.

1,275 out of 6,892 Bldgs.

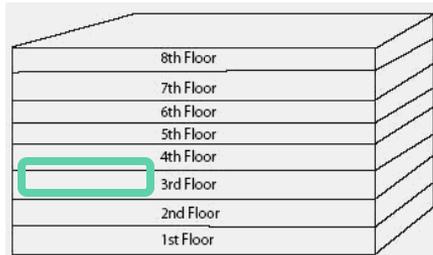
Median Size = 13,455 RSF

94% = Fully Serviced; 6% Net Util.

Occupancy %
(Based on # of Buildings)



Minority Tenant Occupancy (<= 25%)



53% of Total # of Buildings

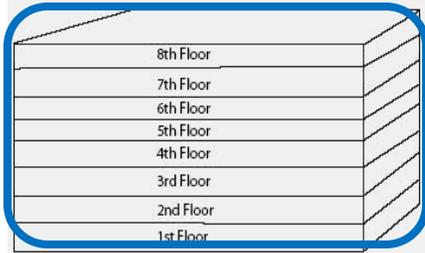
3,654 out of 6,892 Bldgs.

Median size = 5,505 RSF

95% = Fully Serviced; 5% Net Util.

Leased Inventory Profile by % of Government Occupancy Within a Leased Building

Full Building Occupancy (95-100%)



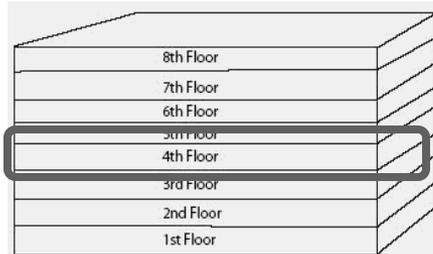
23% of Total # of Leases

1,972 out of 8,483 Leases

Median size = 13,082 RSF

93% = Fully Serviced; 7% Net Util.

Partial Occupancy/ Mid-Sized Tenant (26-94%)



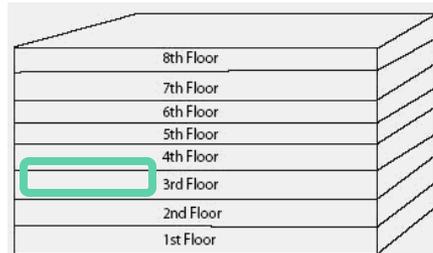
16% Total # of Leases

1,339 out of 8,483 Leases

Median Size = 13,455 RSF

94% = Fully Serviced; 6% Net Util.

Minority Tenant Occupancy (<= 25%)



61% of Total # of Leases

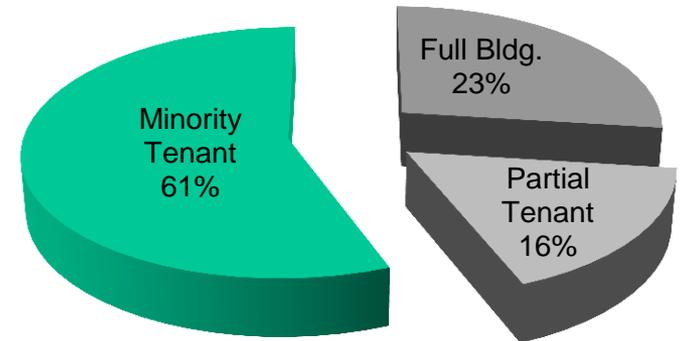
5,172 out of 8,483 Leases.

Median size = 5,505 RSF

95% = Fully Serviced; 5% Net Util.

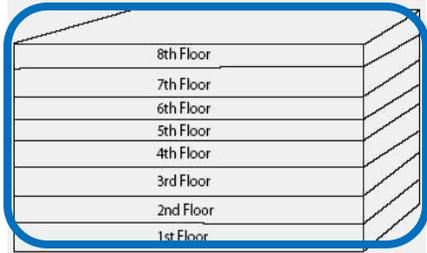
Based on Number of Leases

Occupancy %
(Based on # of Leases)



Leased Inventory Profile by % of Government Occupancy Within a Leased Building

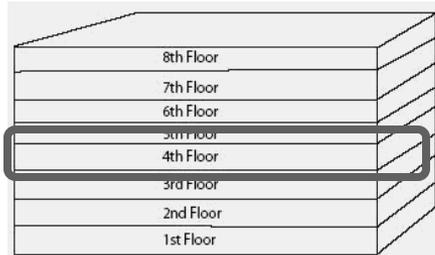
Full Building Occupancy (95-100%)



43% of Total RSF
84.68 mil. out of 195.27 mil. RSF
Median size = 13,082 RSF
93% = Fully Serviced; 7% Net Util.

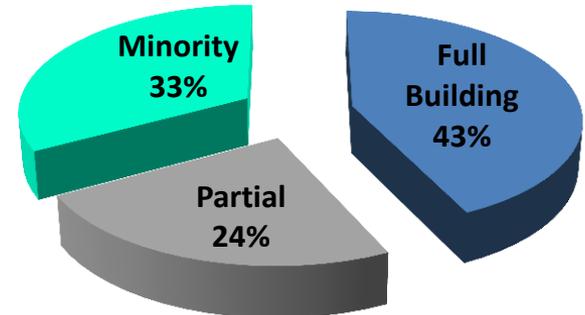
Based on
Rentable Square
Feet

Partial Occupancy/ Mid-Sized Tenant (26-94%)

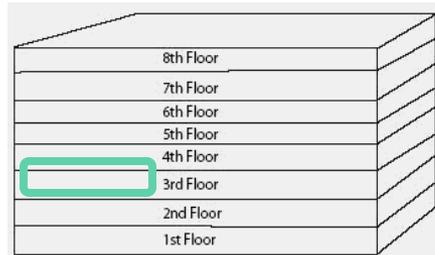


24% of Total RSF
64.76 mil out of 195.27 mil RSF
Median size = 13,455 RSF
94% = Fully Serviced; 6% Net Util.

Occupancy % (by RSF)



Minority Tenant Occupancy (<= 25%)



33% of Total RSF
64.76 mil out of 195.27 mil RSF
Median size = 5,505RSF
95% = Fully Serviced; 5% Net Util.

Net of Utility Leases Pilots

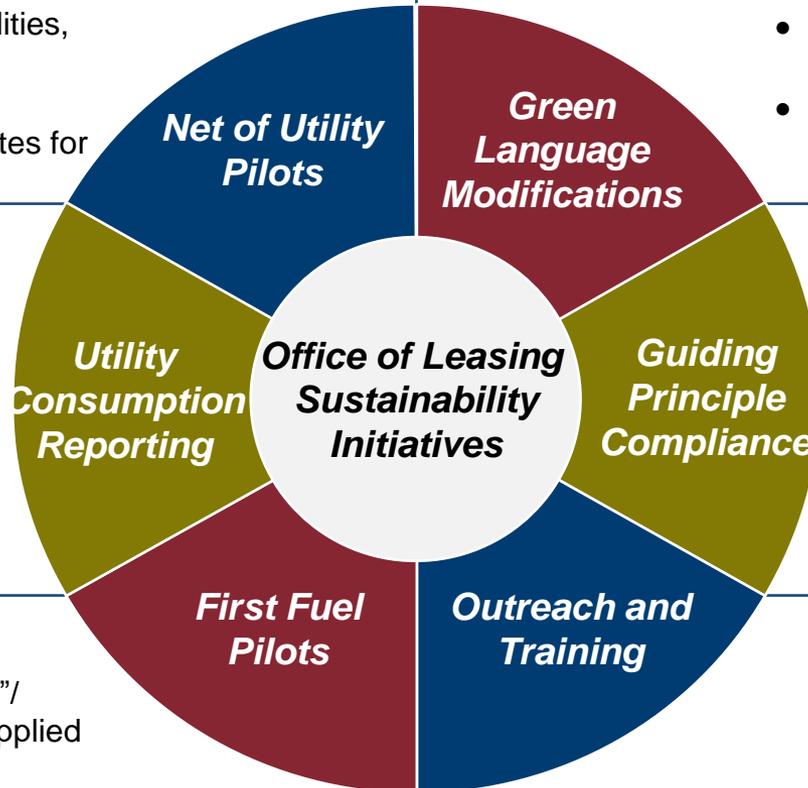
- Examine utility consumption and costs as a sample of leases are shifted from F.S. to Net of Utilities, or from GSA to Tenant paying utilities
- Have offerors provide utility rates for both F.S. And Net of Utilities

Utility Consumption Reporting

- Developing and testing process for lessors to report energy and water consumption data on a monthly basis
- Lease language changed to make this mandatory

First Fuel Pilots

- “Rapid Building Assessments”/ Virtual Energy Audits being applied to 7 leased buildings
- Develop guidance/best practices related to common findings



Green Language Changes

- Recently modified green specs related to Key Sustainable Product standards
- Language changes pending – related to new E.O. + Energy Act
- Language changes pending – related to LEED v4, GG, LBC

Guiding Principle Compliance

- Provide clear guidance for “culprit clauses”
- New Guiding Principles in Oct. 2015 – lease language will change in response

Outreach/Training

- Collaborate with private-sector, other agencies, industry experts on green leasing issues
- Regular “Industry Days/Roundtables”, webinar training, etc.

Key Sustainable Products (KSPs)

- ❑ Commissioner Dong's goal for consistency among PBS business lines -- with top 10 green products
- ❑ Lease Acquisition Circular issued April 2015
- ❑ Language now reflected in May 2015 lease models
- ❑ 9 of 10 KSPs apply to Leasing
- ❑ Gypsum board and Concrete represent new green clauses
- ❑ Ceiling Tile and Concrete apply to New Lease Construction only



Key Sustainable Products

- PBS Consistency
- LAC Issued April 2015
- KSP language is reflected in new May 2015 lease models

E.O. 13693 + Energy Efficiency Improvement Act

- New E.O. on Sustainability (March 2015)
- Energy Efficiency Act (April 2015)

LEED v4, Green Globes, Rating System Updates

- LEED v4 mandatory date: October 2016
- Cost study D&C
- Green Globes/ Living Bldg. Challenge+ GPs

Guiding Principles Changes

- New GPs – October 2015
- Lease language will align with new GPs

New Executive Order 13693: Planning for Federal Sustainability in the Next Decade (March 19, 2015)

Energy Efficiency Performance Criteria or Source Selection Factor

- All new solicitations over 10,000 RSF require energy efficiency either as a required performance criterion or as a source selection factor in best-value tradeoff procurement
- **Leasing is using the existing Energy Star requirement or cost-effective improvement provision in the lease document to be equivalent to this “criteria for energy efficiency as a required performance specification”**

Energy Disclosure

- Lessors are required to disclose carbon emissions and/or energy consumption data for the leased spaces over 10,000 RSF via sub-metering or estimation from pro-rated occupancy data
- **Office of Leasing is developing a process to track and report energy consumption by lessors. Testing to begin in August 2015.**

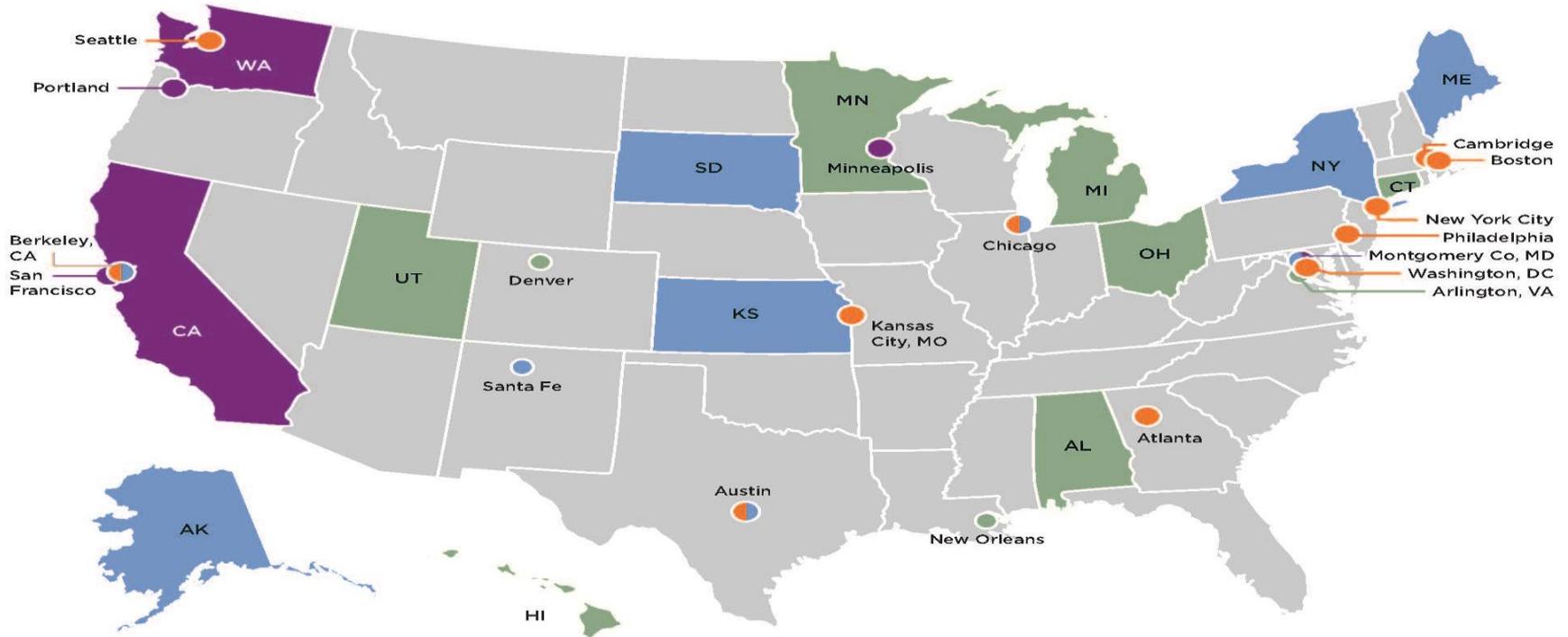
Guiding Principle Targets

- Revised Guiding Principles will be issued within 150 days of the new E.O. (by late Aug. 2015) ; Implementing instructions to be provided with 45 days (by May 2015)
- While the EO provision addressing Guiding Principles is silent on leases, the proposed revisions to the GPs that GSA and DOE submitted to CEQ last year did include GPs for leases
- **Leasing is estimating that an FY 2016 GP target will increase from 18% (in FY15) to a range of 20-22%**

Optimize Space Usage + Consider Existing Transp.+ Infrastructure

- Implementing Instructions from EO 13514 is kept under this E.O. – CEQ can revise. Focus on an appropriate balance of sustainability, cost, and security.

U.S. Building Benchmarking and Transparency Policies



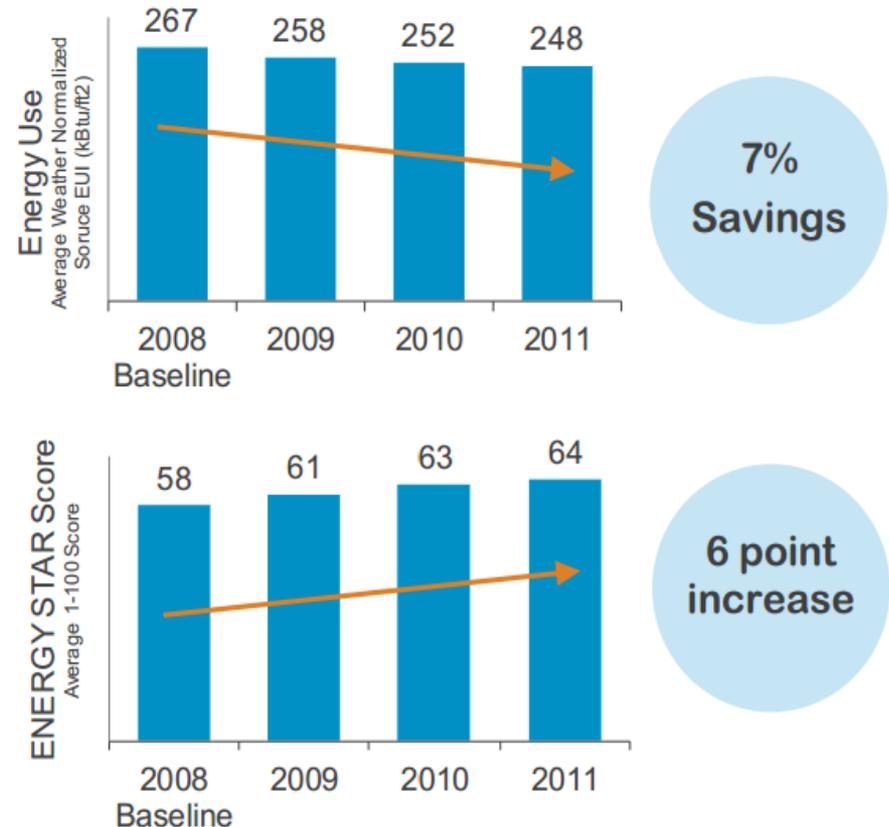
- Commercial policy adopted
- Commercial & multifamily policy adopted
- Public buildings benchmarked
- Single-family transparency adopted

According to a 2012 EPA analysis, **buildings that used Portfolio Manager to track energy usage** between 2008 and 2011 **realized an annual energy savings of 2.4% and a total energy savings of 7.0%.**

Based on a 2015 “Resources for the Future” Study, **Benchmarking and Transparency laws correlated with 3% lower utility expenses** in private office buildings.



IMT
INSTITUTE
FOR MARKET
TRANSFORMATION



Source: EPA ENERGY STAR Portfolio Manager “Benchmarking and Energy Savings” Data Trends, October 2012.

Utility Consumption Reporting Process

Adjust Lease Language to Make Utility Reporting Mandatory for 10,000+ Leases



Developing/Testing Process for Lessors to Report Monthly Energy/ Water Data



Lessors Populate Consumption Data in EPA's Portfolio Manager Tool



Adjust Data for Partial Building Occupancies



Regularly Report Utility Data to GSA and Provide Annual GHG Estimates



UCR clause and UCR process is a response to GHG reporting requirements (2008-2014) and the new E.O. (2015)

UTILITY CONSUMPTION REPORTING CLAUSE (OCT 2015)

Upon the effective date of the Lease, only for leases over 10,000 RSF, the Lessor shall provide regular quarterly reports for the amount of utilities (including water) consumed at the Building broken down by utility type per month for the duration of the Lease. Lessors shall report this utility consumption data within 45 calendar days of the end of each calendar quarter. Data reported includes, but is not limited to, the number of actual units consumed, by utility type per month, and associated start and end date(s) for that consumption.

UCR Testing by Pilot Group

Universe of Leases	RSF	FY15	FY16	FY17
8,500 Total Leases (As of Jan 2015 REXUS Data)	195,650,597			
1,036 Leases w/ UCR Clause (Jan. 2013)	22,492,987 (100%)			
1st Pilot Group - 64 Leases Full Occupancy; >= 50K RSF	10,726,293 (48%)	✓		
2nd Pilot Group - 19 Leases Partial Occupancy; >= 50K RSF	1,948,462 (9%)		✓	
3rd Pilot Group - 70 Leases All Occupancy; <50K & >=30K RSF	2,701,400 (12%)		✓	
New Leases (covered by the EO) All Occupancy; >= 10K RSF			✓	✓

Energy Efficiency Improvement Act: Leasing-Related Provisions

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graph TD; A[Energy Efficiency Improvement Act: Leasing-Related Provisions] --> B[Tenant Star]; A --> C[Model Commercial Leasing Provisions]; A --> D[Federal Tenant Benchmarking]; A --> E[Separate Spaces Study];
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**Tenant
Star**

**Model
Commercial
Leasing
Provisions**

**Federal
Tenant
Benchmarking**

**Separate
Spaces
Study**

Model Commercial Leasing Provisions (Section 301)

GSA (with DOE) shall develop model leasing provisions and best practices to encourage commercial bldg. owners + tenants to invest in cost-effective energy + water efficiency measures

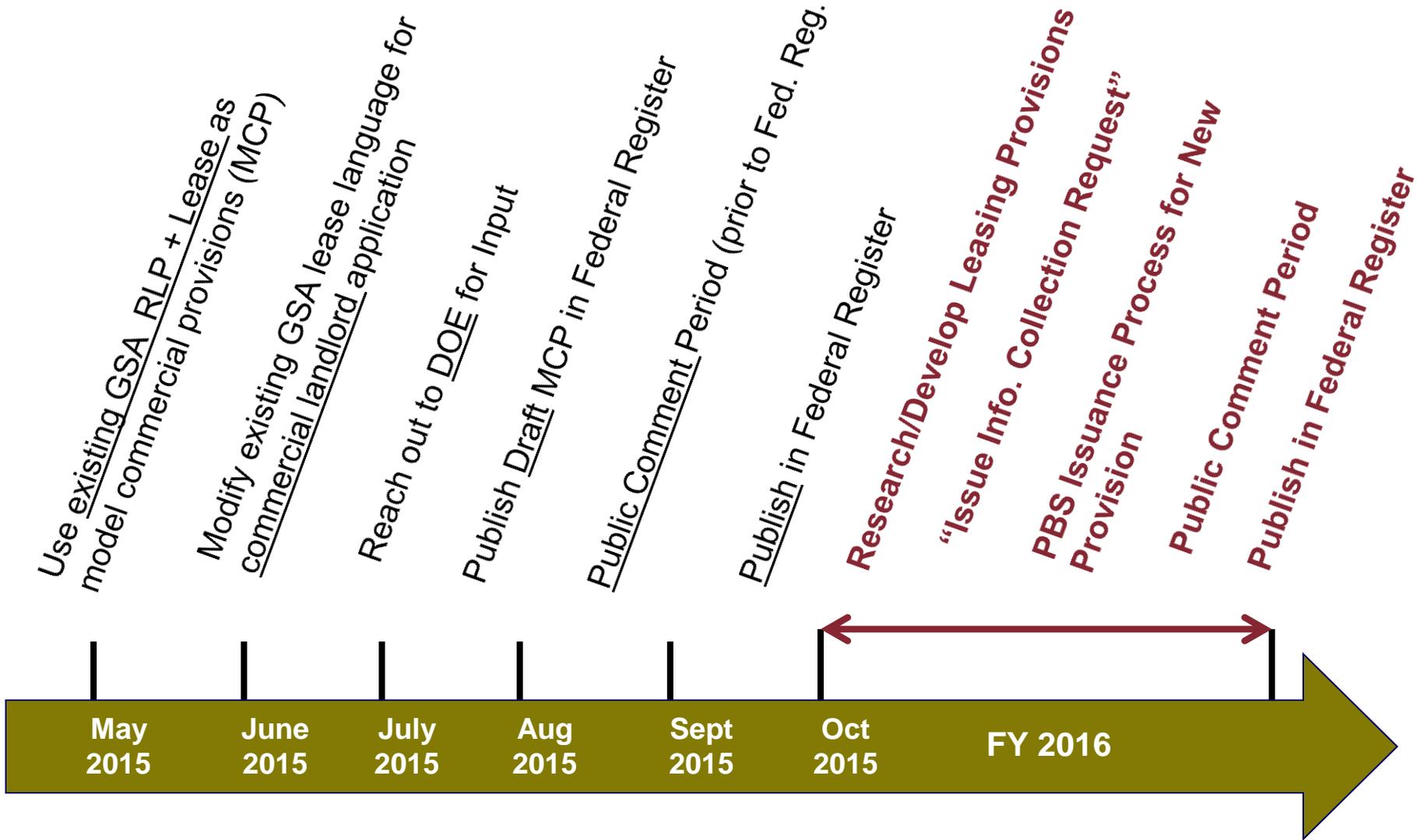
GSA shall **periodically publish** the model commercial leasing provisions with explanatory materials **to encourage private-sector use of the efficiency measures in leases**

GSA shall **make provisions and best practices available to State, county, and municipal governments** – with the goal of encouraging investment in cost effective energy + water efficient measures

GSA shall develop **policies and practices** to implement cost-effective energy + water efficient measures **for realty services it provides to other Federal agencies**

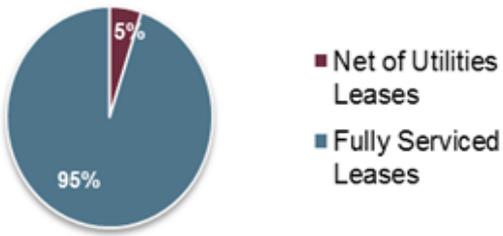


Better Building Act of 2015- Model Commercial Leasing Provision: Time Frame for Developing New Provisions + Publishing in Federal Register



Fully Serviced vs. Net of Utilities Leases

GSA's Leased Portfolio by # of Leases



- 95% of GSA's leases are Fully Serviced
- 5% of GSA's leases are Non-Fully Serviced

Lease Type	Risk Burden	Utility Payment	Lease Structure
Fully Serviced	Landlord	Tenant pays utilities in Rent	<p>Fully Serviced Lease</p> <pre> graph LR Tenant[Tenant] --> GSA[GSA] GSA --> Landlord[Landlord] </pre>
Net of Utilities (GSA pays)	GSA	Tenant Pays GSA for Utilities	<p>Net of Utilities (GSA pays)</p> <pre> graph LR Tenant[Tenant] --> GSA[GSA] GSA --> Utilities[Utilities] GSA --> Landlord[Landlord] </pre>
Net of Utilities (Tenant pays)	Tenant	Tenant Pays Utility Bill Directly to Utility Provider	<p>Net of Utilities (Tenant pays)</p> <pre> graph LR Tenant[Tenant] --> GSA[GSA] Tenant --> Utilities[Utilities] GSA --> Landlord[Landlord] </pre>

Net of Utility Pilot 1 Studies Underway (10/2015)



Region 8: DOE-Western Area Power Administration (Lakewood, CO.)

- 115,650 RSF lease representing 100% of building
- 12155 West Alameda Parkway: LCO 013474; Expiration: 11/1/29
- Lease shifted from Fully Serviced to Net of Utilities (in DOE's name) in 11/2014



Region 11: DOJ- Criminal Division (Washington, D.C.)

- 168,496 RSF lease representing 100% of building
- 1400 New York Avenue: Bond Building: LDC 012554; Expiration: 8/31/29
- "Hybrid" pilot: Lease shifted from Net of Utilities in GSA's name to DOJ's name (in 9/2014)



Region 9: BLM- National Training Center (Phoenix, AZ.)

- 72,454 RSF lease representing 100% of building
- 9828 N. 31st Avenue (3-building complex): LAZ 03224
- Lease shifted from Fully Serviced to Net of Electric + Gas in 8/2014
- Lease expiration: 7/2017 firm term; 7/2019 full term; BLM prefers to move in 7/2017



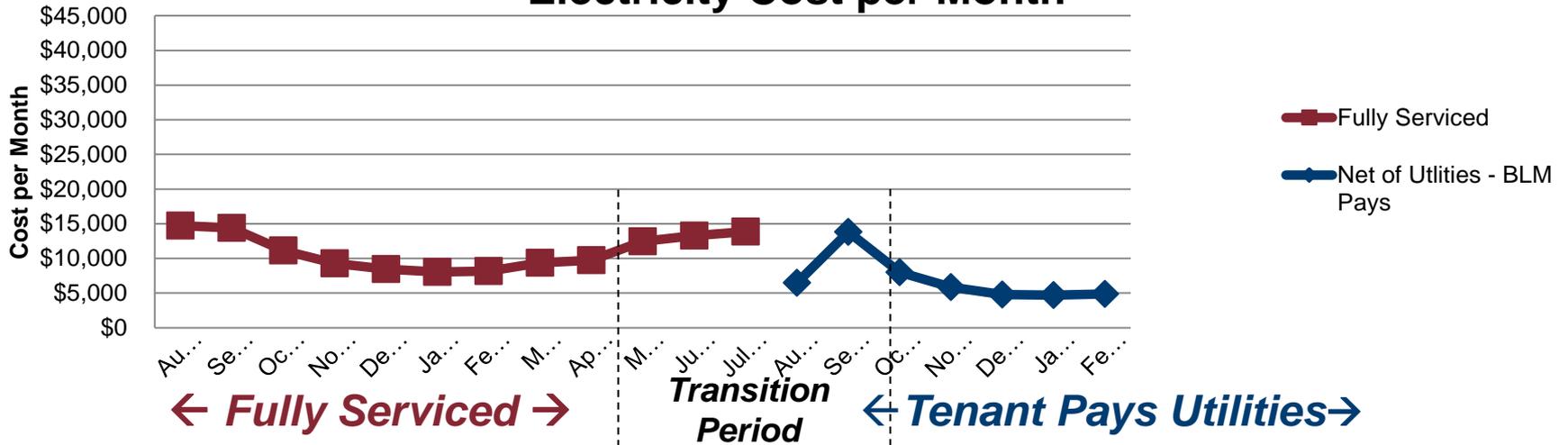
Region 11: USDA Service Center- Warehouse (Washington, DC)

- 116,987 RSF lease representing 100% of building
- 6351 Ammendale Road: LMD 12550; Expiration: 3/31/21
- Lease shifted (2 years ago) from GSA paying utilities to USDA paying utilities

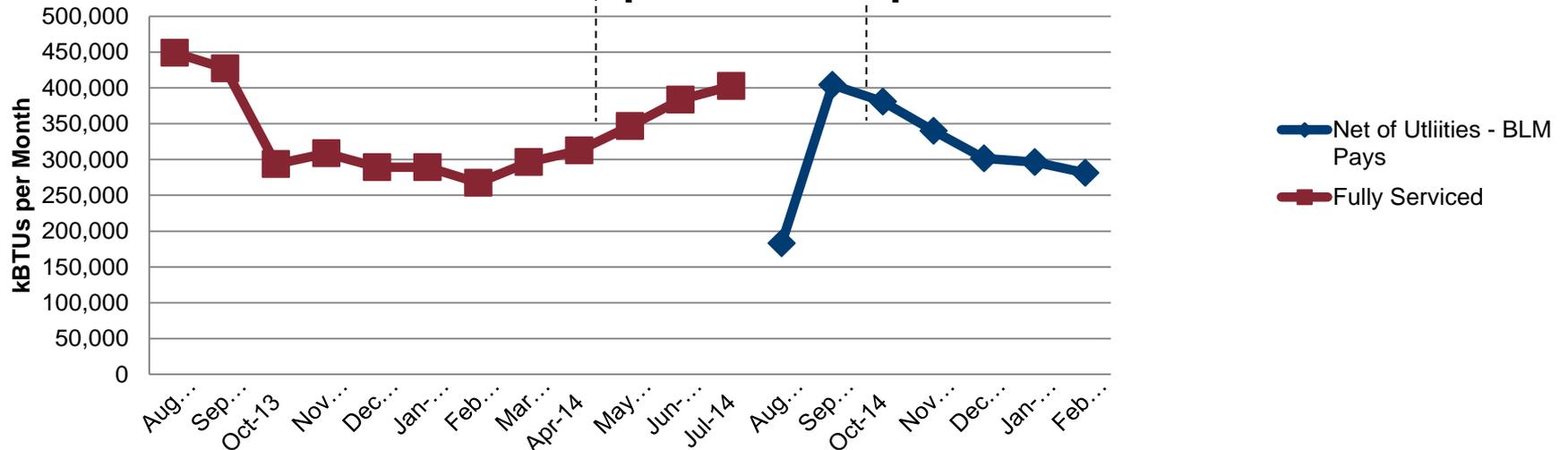
5th Possible Pilot : White Flint 3 -- NRC

Sample Data for Net of Utility Pilot Studies: Utility Costs and Consumption– “Before” (as F.S.) + “After” (as N.U.)

Electricity Cost per Month



Consumption kBTUs per Month



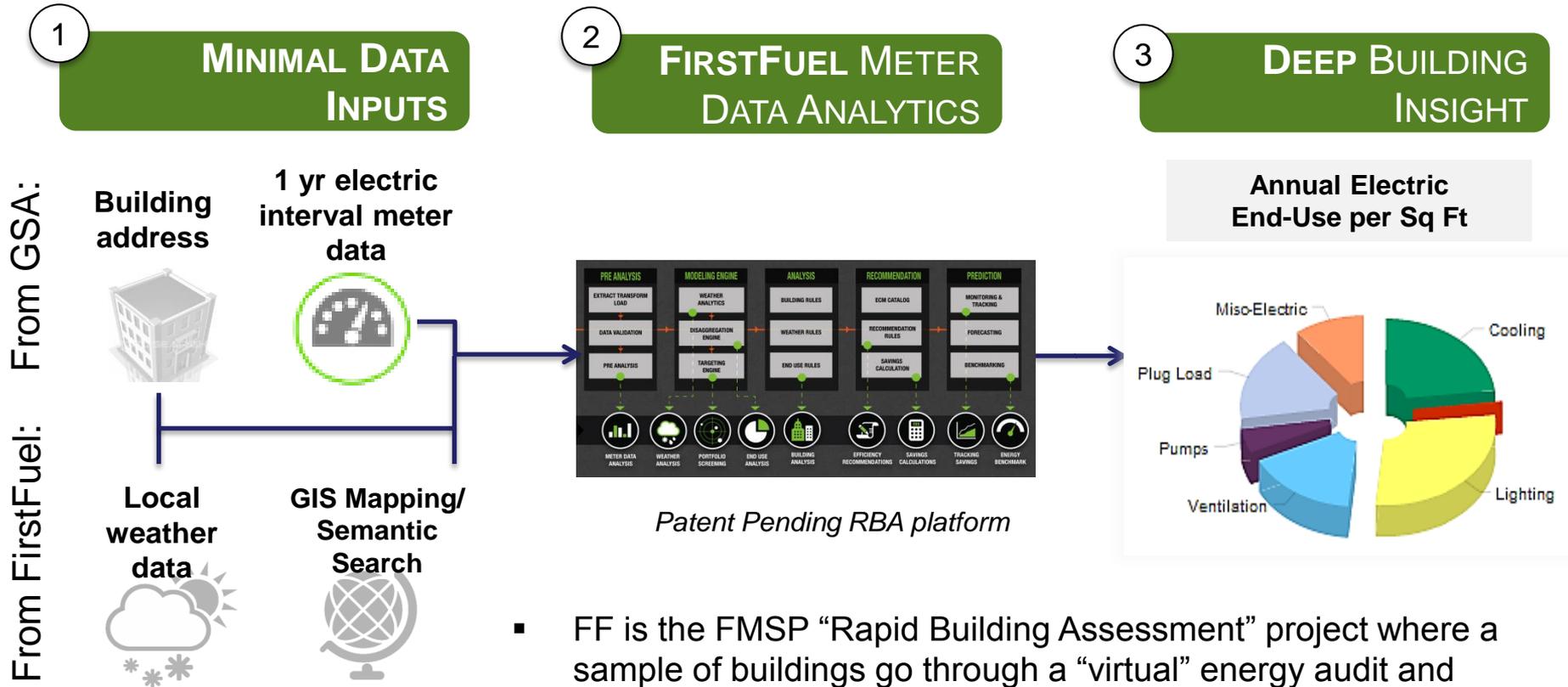
First Fuel Pilots

- FF is the GSA Facilities Management “Rapid Building Assessment” project where a sample of buildings go through a “virtual” energy audit and analysis
- Identify opportunities for energy savings and efficiencies
- “365-day/ 24-hour” analysis of a building
- Operational and Retrofit Recommendations are provided

Pilot 1: Buildings	Tenant Agency
Silver Spring, MD.: 1305 E-W Highway	NOAA
Silver Spring, MD.: 1315 E-W Highway	NOAA
Silver Spring, MD.: 1325 E-W Highway	NOAA

Pilot 2: Buildings	Tenant Agency
Kansas City, MO.: 6501 Beacon Drive	USDA
Lincoln, NE.: 1301 Highland Blvd.	CIS
Waco, TX.: 800 Franklin St.	U.S. Courthouse

First Fuel Analysis Remote Building Assessments

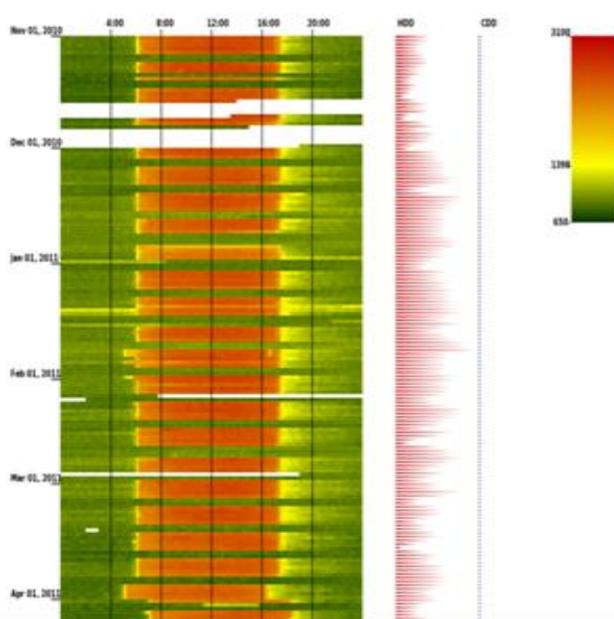


- FF is the FMSP “Rapid Building Assessment” project where a sample of buildings go through a “virtual” energy audit and analysis
- Opportunities for energy savings and efficiencies are identified
- Operational and Retrofit Recommendations are provided
- Applied to 100+ Federally Owned buildings

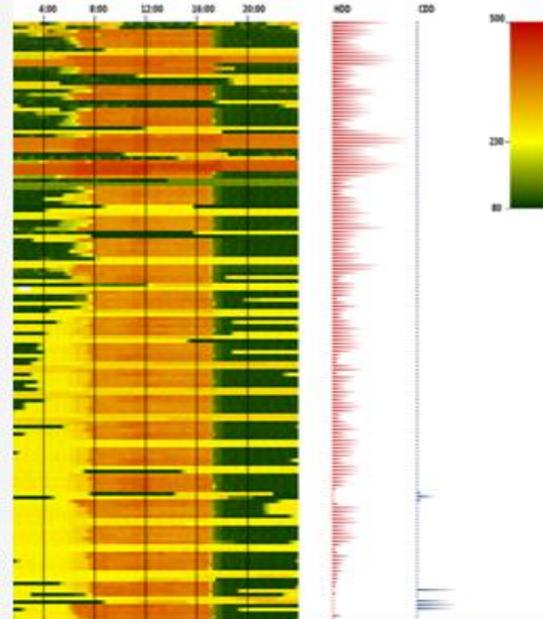
First Fuel

Building Comparison – Energy Intensity: 365 Day/ 24 Hour Building Profile

Building A



Building B



- **Freeze the Footprint/Reduce the Footprint initiatives are having a significant impact on the number of Federal leases and amount of space leased. Since 2013:**
 - **362 fewer leases in 439 fewer buildings**
 - **1.3 million rsf in space reduction – 14,300 tons of carbon reduction**
- **The most effective energy consumption reduction tactic is to reduce the amount of square feet occupied:**
 - **Lower utility consumption overall**
 - **Lower operating costs**
 - **Fewer GHG emissions**
- **Fully-serviced leases place greater incentive on landlords to operate their buildings efficiently; net of utilities leases place greater incentive on tenants to modify their operations and behaviors.**
- **Larger leases present greater opportunities for cost effective savings from energy efficient improvements, to lower utility costs and consolidate operations in a workplace/workforce friendly fashion.**

Questions and comments?

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