



GREEN LEASE LEADERS

CREATING SUSTAINABLE LANDLORD-TENANT RELATIONSHIPS

GREEN LEASE LEADERS:
RETAILERS LEVERAGE
TENANT-LANDLORD
COMMUNICATION DURING
PANDEMIC

➞ THIS RESOURCE IS PART OF A SERIES OF CASE STUDIES SHOWCASING EXCITING GREEN LEASE TRENDS AND BEST PRACTICES. VISIT [GREENLEASELEADERS.COM/RESOURCES](https://greenleaseleaders.com/resources) TO DOWNLOAD MORE CASE STUDIES AND LEARN HOW LEASE-BY-LEASE, GREEN LEASE LEADERS ARE IMPROVING LANDLORD-TENANT COLLABORATION TO DRIVE HIGHER PERFORMING BUILDINGS THAT HELP PUSH THE COMMERCIAL REAL ESTATE INDUSTRY FORWARD.



COMMERCIAL BUILDINGS ACCOUNT FOR APPROXIMATELY 20 PERCENT OF ENERGY USE IN THE U.S., WITH LEASED SPACES REPRESENTING 50 PERCENT OF CONSUMPTION.

It's clear from [pandemic-related energy data](#) that buildings are wasting energy—and traditional leases are a big part of the reason why. Green leasing is a proven alternative that creates a win-win strategy for building owners and tenants by equitably aligning the costs and benefits of energy and water efficiency investments. As the real estate market rebounds from the COVID-19 pandemic, green leasing is becoming the new standard.

This case study from the 2021 Green Lease Leaders program explores the ways that green leasing was a critical tool retail leveraged during an extraordinarily challenging year. Green leasing strategies helped navigate unprecedented challenges, strengthened landlord-tenant relationships, prioritize efficiency and sustainability priorities and COVID response.

Launched by IMT and the U.S. Department of Energy's (DOE) Better Buildings Alliance in 2014, Green Lease Leaders is the industry's premier leasing recognition program. The program shines a light on forward-thinking real estate companies and practitioners each year who effectively modernize their leases to spur collaborative action on energy efficiency and sustainability in buildings. This year's Green Lease Leaders represent portfolios totaling more than 2 billion square feet (sq. ft.) across the globe and comprise a diverse range of buildings from large and small commercial offices to industrial buildings to data centers.

Altogether, Green Lease Leaders manage over 4 billion sq. ft of commercial and government space, representing a huge potential for growth in green leases nationally and worldwide. In the commercial sector alone, green leasing has the potential to impact eight percent of leased space nationwide.

The COVID-19 pandemic shut down U.S. retail businesses in Spring 2020, causing the industry to forge new partnerships to survive. New modes of operation and communication have strengthened businesses in ways that go beyond healthier air or contactless pickup. In this collection of stories from the 2021 Green Lease Leaders program, we showcase three retail companies that used green leases to save costs and collaborate with their landlords for mutually beneficial outcomes throughout the pandemic.



RETAIL OPPORTUNITY INVESTMENTS CORP.

Utilizing Green Leases to Accelerate Sustainability Initiatives

Retail Opportunity Investments Corp. (ROIC) is a real estate investment trust (REIT) that specializes in owning and operating grocery-anchored, open-air shopping centers located in major metropolitan markets spanning the West Coast, from its headquarters in San Diego up to Seattle. ROIC's portfolio includes 86 shopping centers, encompassing approximately 10 million square feet and serving over 1,900 tenants - predominately retailers providing necessity-based household goods and services to their surrounding communities. Since its inception in 2009, ROIC has strived to be a leader in the REIT industry in operating its business and portfolio in an ethical, sustainable, and responsible manner. ROIC is currently implementing a multi-faceted program aimed at reducing its portfolio's environmental footprint, including achieving a 15% reduction by 2025 in common area energy and scope 1-2 GHG emissions - as compared to their 2019 baseline, and an

absolute 25% common area waste diversion rate by 2025, as well as having common area water data, coverage, and irrigation controls in 80% of its portfolio by 2023.

Green Leasing as an Integrated Strategy

Despite the challenges resulting from the pandemic, ROIC forged ahead with its commitment to better the environment, most notably introducing green lease provisions in new and renewal lease agreements. Additionally, as landlords and retailers worked collaboratively in new-found ways throughout the pandemic, ROIC capitalized on the opportunity to accelerate its sustainability initiatives by incorporating green lease provisions in a number of its long-standing existing leases. ROIC's green lease provisions encompass four key components. First, its green lease provisions provide ROIC flexibility to install rooftop solar panels for tenants to utilize renewable energy generated onsite. Second, ROIC's green lease provisions designate a portion of tenant parking spaces be set aside

for electric vehicle (EV) charging stations. Third, ROIC's green lease provisions encourage tenants to utilize recoverable materials and LED lighting systems when building out their spaces, as well as utilizing waste diversion techniques. Fourth, ROIC's green lease provisions require tenants to report their specific energy and water usage. Collecting this data enables ROIC to carefully track key sustainability metrics and progress, and make strategic decisions regarding enhancing ongoing sustainability initiatives. ROIC's tenants have embraced green leasing, recognizing not only the long-term economic benefits, but also the opportunity to demonstrate to their valued customers and stakeholders their commitment to sustainability.

Green Leasing into the Future

In step with ROIC's successful commencement of its green leasing initiative, the company currently has solar panel installation projects underway at eight of its shopping centers, which are expected to reduce the properties' reliance on conventional power grids by an estimated 30% on average. Additionally, ROIC has entered into agreements with EV providers, including Tesla, to install over 50 EV charging stations at its properties. ROIC expects these initiatives will accelerate across its portfolio, as the company advances its green leasing initiative. Looking towards the future, ROIC sees green leasing as a core component in the company's ability to continue enhancing its portfolio's sustainability and advancing its position as a proven environmental steward.



Above: ROIC's largest property, Fallbrook Shopping Center, located in the Los Angeles community of West Hills, is a certified IREM® Sustainable Property. The certification is based on ROIC's sustainability performance in energy, water, health, recycling, purchasing and management. In 2019, ROIC converted the property's parking lighting system (80% of the property's total common area electricity usage) to a new, state-of-the-art LED system. The conversion served to reduce the property's common area overall annual electricity usage by approximately 70%.



KIMCO & WEINGARTEN

As two separate organizations, Kimco Realty (“Kimco”) and Weingarten Realty (“Weingarten”) independently realized the value of green leases for increasing interactions between tenants and landlords and creating mutually beneficial partnerships. Both applied to Green Lease Leaders in 2020 and earned Gold-level program status. In August 2021, Kimco acquired Weingarten and they merged as one entity under the Kimco name. Going forward, Kimco will continue to use green leasing to leverage partnerships, collaboration, and communication with tenants.

How Kimco & Weingarten Leveraged Green Leasing to Advance Sustainability Goals

Kimco and Weingarten both had corporate goals for sustainability and ESG focused on energy efficiency, water conservation, carbon and greenhouse gas emissions, and solid waste. Through green leasing, both organizations were able to integrate lease provisions to support their goals, allowing both landlord and tenant to reap the rewards of energy efficiency projects. Kimco and Weingarten also used green leases as an outreach, engagement, and education opportunity for tenants. Since many efficiency and conservation projects require tenant cooperation, the teams at both Kimco and Weingarten used green leasing tools and provisions to support tenant communication. For example, Kimco worked to develop improved billing transparency for tenants and developed tenant sustainability guidelines based on an operational best practices checklist built in conjunction with partners at U.S. EPA ENERGY STAR®. When Kimco installed a custom lighting control system to reduce energy use, both the tenant and Kimco saw lower energy bills for common areas.

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Green Leasing as an Integrated Strategy

As part of their standard green lease, Kimco submeters or direct meters services for energy and water. This approach helps to combat a common concern for some retailers that dividing up shared services costs by the square foot unfairly burdens less energy and water-intensive businesses with the costs of more intensive users. It also provided Kimco and Weingarten the ability to gain access to tenant data needed for ESG reporting requirements for municipal mandates, voluntary reporting (GRESB/GRI/etc.), and to investors and joint venture partners. Additionally, Kimco and Weingarten's green leasing practices included a standardized build-out process for tenants that focuses on efficiency and waste management. For example, an integrated waste management program brings tenants together to procure service at a lower cost through a volume discount, and provides the opportunity to extend services, like composting, to others in the shopping center.

Green Leasing Benefits During COVID-19

COVID-19 had a monumental impact on retailers, but Kimco and Weingarten had experience communicating and collaborating with tenants on green leasing, which set a precedent for how to navigate the pandemic. Kimco sent regular communication to tenants on critical topics such as CDC and WHO recommendations, mandated closures, common area sanitization practices, and important updates on available government-sponsored funds for small businesses. They also quickly launched a COVID-19 response website, which housed a state-by-state list of COVID-19 resources and funding opportunities. Taking collaboration one step further, Kimco ran a Tenant Assistance Program, which provided tenants with



free legal assistance in identifying and applying for government-sponsored relief funding, focusing on the Paycheck Protection Program.

Kimco and Weingarten's green leasing experience also underscored the importance of adjusting leases in ways that mutually benefit landlords and tenants. For example, Kimco is now considering provisions in future leases to allow for shared common areas uses, such as their Curbside Pickup® program and outdoor dining, that will help tenants operate under pandemic best practices. This collaboration will enable clarity for daily business operations and ultimately greater financial stability for both Kimco and their tenants

Green Leasing into the Future

Green leasing has provided an essential template for how to adapt business practices to changing circumstances through clear communications and partnership. Kimco will continue to leverage lessons learned for whatever new challenges and opportunities lay ahead.





RPT REALTY

Foundations of ESG and Pathway to Green Leasing

RPT Realty is a publicly-traded (NYSE: RPT) national owner and operator of modern and engaging open-air shopping destinations principally located in top U.S. markets. Green leasing provides RPT Realty with an important tool to collaborate with tenants to reduce energy consumption, water usage, and landfill waste. Green leasing is also a key strategy for helping RPT meet their sustainability goals.

In 2019, RPT established their first set of long-term company-wide sustainability goals that included waste diversion, and the reduction of electricity consumption, water usage, and greenhouse gas emissions:



Waste: Institute recycling programs.

Divert 35% of all landlord controlled shopping center waste from landfills by 2023.



Electricity: Install LED lighting.

Reduce electricity consumption in landlord-controlled areas by 25% by 2026 (2018 base year).



Water: Install irrigation controls.

Reduce common area water consumption by 20% by 2024 (base year 2019), saving \$100,000 and 15 million gallons of water annually.



Greenhouse Gas: Reduce landlord-controlled scope 1 and scope 2 greenhouse gas emissions at shopping centers by 25% by 2026 (2019 base year).

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Green Leasing as an Integrated Strategy

Green leases appealed to RPT because they could clearly outline benefits for tenants and themselves, while also establishing clear responsibilities for each party. In the early stages of rolling out green leases, tenants expressed some concern about them, but through transparent communication, tenants saw that green leases made sense for everyone. Most importantly, stronger relationships with their tenants made other sustainability initiatives easier to implement.

RPT has incorporated their sustainability goals into their tenant fit-out guidelines, which include categories such as restroom finishes, interior lighting, mechanical systems, and waste. Within their guidelines, they recommend LED lighting, occupancy sensors, high-efficiency HVAC units, and low flow water fixtures. RPT's Tenant Coordination department also reviews tenant fit-out plans and encourages more sustainable options for fit-outs. For example, RPT has revised their Tenant Manual, which is inclusive of the lease, and directs tenants and their contractors to separate materials during demolition to ensure any recyclable items are sent to a recycling center. Like the green leases, these materials clearly communicate tenant and landlord responsibilities, and the mutual benefits of partnership.

Additionally, RPT engaged a third party HVAC vendor to promote tenant compliance with HVAC maintenance. This provides more efficient running units and aligns with RPT's energy and greenhouse gas goals. As HVAC efficiency and performance decline with age, the vendor encourages replacement of any unit older than 10 years.

To promote sustainability in construction activities, RPT encourages tenants to reuse and repurpose existing materials, fixtures, etc. within a vacant space while still incorporating their aesthetic and branding. This helps to reduce the amount of construction materials and waste that will end up in landfills.

Green Leasing into the Future

As RPT continues to integrate green leasing initiatives into its leasing strategy, they anticipate reducing overall shopping center energy consumption, lowering shopping center expenses, and improving shopping center value. Through more efficient operational standards and the installation of energy saving equipment and systems.

Additionally, RPT will continue to build upon green leasing best practices by ensuring data transparency. RPT is committed to providing tenants with common area utility consumption information. Likewise, RPT asks tenants to commit to providing their premises utility consumption information. This gives RPT the ability to create a baseline for consumption, identify opportunities for improvement, and validate future performance.

Overall, RPT sees their green leasing initiatives as a key element to its sustainability strategies. The clear communication of goals and responsibilities has proven invaluable and has created a strong framework on which to base future efforts.





If you are a tenant encouraging your landlord to collaborate on sustainability goals, or if you're a landlord working closely with tenants to make their space more efficient and healthier, you might be a candidate for IMT and DOE's [Green Lease Leaders](#) recognition.

The first step is to assess your lease and corporate documentation in comparison to the standards specified by the Green Lease Leaders recognition program. Even if you are not currently including energy efficiency and sustainability in your lease, but practice sustainability in building operations and management, the Green Lease Leaders criteria can serve as a guide for enhancing a lease to account for sustainability.

➡ For more information on applying for Green Lease Leaders, or for help in building your own green lease, contact IMT at imtweb@imt.org or visit the Green Lease Leaders website to learn more about the program and how to apply for recognition: <https://www.greenleaseleaders.com/apply/>