How Green Leasing Supports BPS Compliance

Seattle, New York City, St. Louis – what do all of these cities have in common? They all have building performance standards (BPS). As BPS policies continue to pass across the U.S., how can commercial real estate companies comply with existing and emerging regulations? In this case study, Dana Robbins Schneider of Empire State Realty Trust (ESRT) and Becca Timms of Jamestown share how they use green leasing as a tool to get ahead of BPS compliance.

Why is green leasing an appropriate tool for BPS compliance?

**Jamestown:** Compliance with BPS really starts with the data. In order to even get the data and set a benchmark, you have to have bills and data from the tenants.

**ESRT:** Tenants consume more than half the energy in a typical office building. Without shared objectives of the landlord and tenant, the building cannot be a high performer.

**Jamestown:** Once you understand how your building is performing compared to the standard, the landlord can prioritize projects that make financial sense and share both the cost and savings with the tenants.

**ESRT:** At this point, tenants come to our buildings because they know we can help them to design and build their spaces to our standards, commission the spaces, and maintain their performance at the intended level throughout the occupancy of that space.

**Jamestown:** Having a green lease gives us the confidence and ability to get the data and share the cost of these capital expenses.

**ESRT:** With a green lease, we can ask a tenant to implement changes which help our buildings meet compliance. ESRT and its tenants can work together to be more efficient when green leases are in place.

How does the BPS in your city (e.g., LL97) affect your organization’s green leasing adoption and strategy?

**ESRT:** We have had green leases since 2009, well before there was a BPS in New York, so our opinion is that they are always a good idea. If all the tenant does is base code compliance today, that’s a 2020 level of performance—nowhere near LL97 targets for 2030 or 2035. We have to

“It’s really not controversial. It’s data based. It’s science based. It’s ROI based work. Green leasing tees you up for compliance with BPS. It’s really important for the landlords and tenants to cooperate. This is a win-win for everybody. There’s really no reason not to do it.”

**EMPIRE STATE REALTY TRUST**
Dana Schneider, Senior Vice President
Director of Energy, Sustainability and ESG
make sure that our agreement actually sets them up to comply. Just because you have a green lease, doesn’t mean that it aligns with BPS in your region.

**Jamestown:** We were on board with green leasing before these BPS policies were passed, and in a much better starting point for complying with BPS. For us, green leasing was a way to create opportunities and manage risk. We were better prepared to manage the transition risk associated with BPS compliance.

**ESRT:** We always present the business case for these capital investments necessary for BPS compliance. If you are our tenant, we can say: *You have an 8-year lease. The payback for what we’re asking you to do is 2 years max. You save money when you collaborate with us on this green lease.* The economic perspective often seals the deal.

**In your experience, does the emergence of a BPS affect your tenants’ willingness to collaborate on a green lease?**

**Jamestown:** The conversations around sustainability really need to happen before you get to a leasing discussion, to ensure a good fit. Our ESG information is something that we are proud of and communicate widely, so by the time you get to the leasing table, we really don’t see a ton of questions. For a company like Jamestown that has publicly stated energy and carbon reduction targets, operating in a jurisdiction with a BPS makes it less of an ownership-centered initiative and more of an accepted law. We’re also seeing tenants come to us with their own green leasing language, so in these cases, it’s necessary for the landlord and tenant to sync up to see if there are any duplicative or overlapping clauses.

**ESRT:** As I mentioned before, most tenants come to us because they want to do this and they know we have the expertise to help them reach their goals. Most informed tenants already have sustainability standards, so our green lease is a selling point. We always explain in facts and figures how our green lease makes tenants spaces healthier and reduces tenants’ costs, and we think that drives our great success with them.

**What advice would you give related to green leasing to building owners in BPS jurisdictions?**

**Jamestown:** Go ahead and get started! Simplify your key priorities and start with some quick wins. For example, the provision of data and capital cost pass through, both of which are incredibly important to a green lease, are typically quick wins.

**ESRT:** And it should have a very robust, specific design for BPS metering, design construction commissioning, and ongoing commissioning performance engagement over the life of the lease that is aligned with the timing and performance levels of the BPS.

**Jamestown:** Also, look at your existing leases and see if you have green lease provisions already. That was one of the things we didn’t realize back in 2014 when we started actively implementing green leases. We actually already had green leases. They might be hiding right under your nose.

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**ESRT & JAMESTOWN AGREE THAT THE KEY LEASE CLAUSES NEEDED TO COMPLY WITH BPS ARE:**

- Utility data sharing
- Cost recovery for upgrades which benefit tenants
- Design & construction guidelines

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