

# BUILDINGENERGY NYC

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## **Decarbonizing NYC Offices: Opportunities & Strategies for Success**

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**Northeast Sustainable Energy Association (NESEA) | October 24, 2024**

# Decarbonizing NYC Offices: Finding Opportunities & Strategies for Success

**be**  
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building  
energy  
exchange



# Decarbonizing New York City Offices

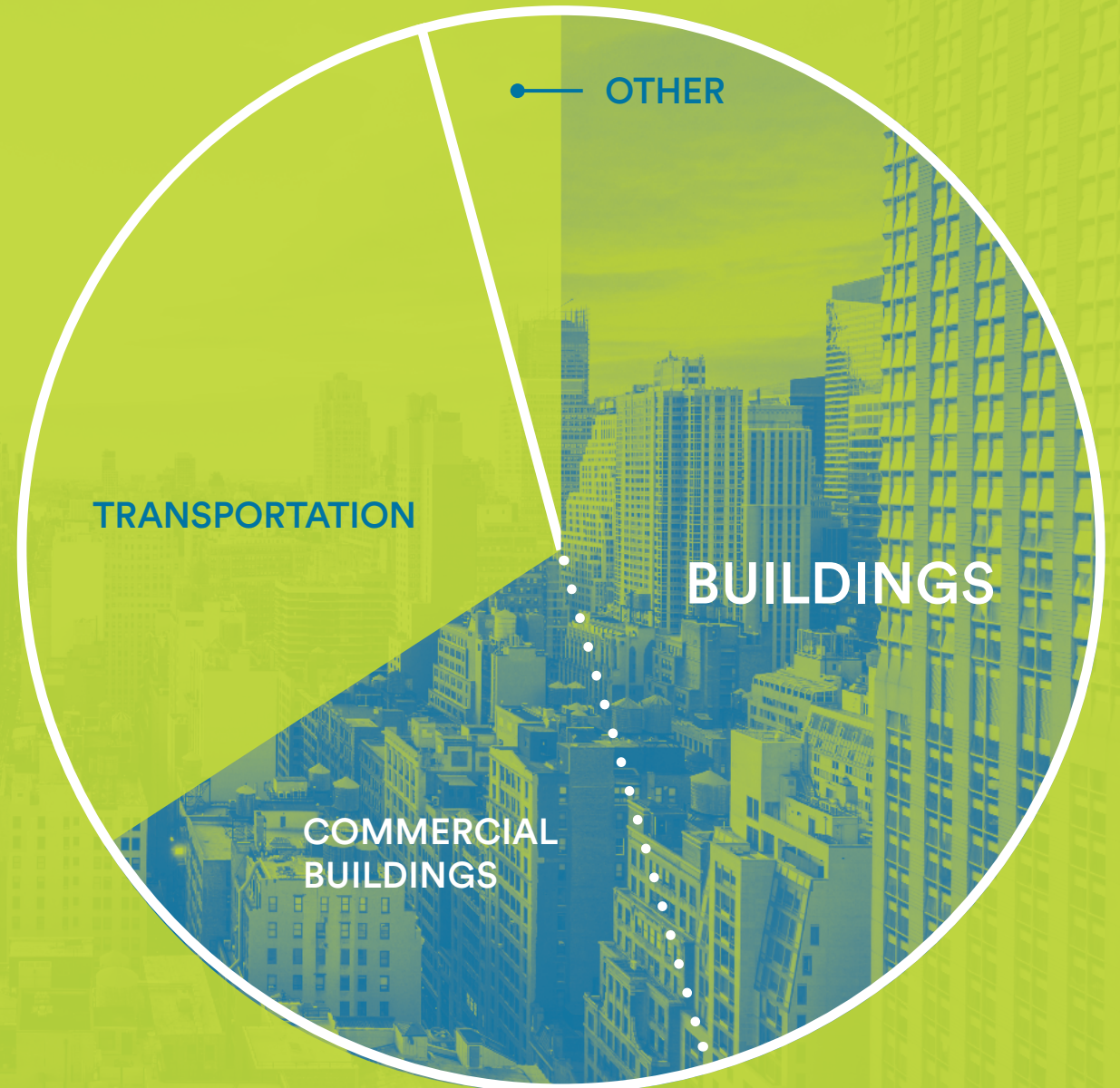
Aims to reduce carbon emissions in leased commercial spaces by facilitating meaningful collaboration between stakeholders.

- Conducted assessment of Business-as-Usual
- Produced actionable tools and resources



## Commercial Buildings' role in the climate crisis

- Buildings are responsible for 2/3 of NYC's GHG emissions
- Commercial buildings are responsible for nearly 1/3 of all NYC-based buildings emissions



# Assessing Business as Usual

## Current Practice

A Stakeholder's current position and activities during key phases of the commercial tenant leasing process

## Challenges

## Key Insights

Current obstacles and knowledge gaps to overcome  
Information and guidance from industry experts to support decarbonization and energy efficiency efforts

## Resources

Tools to support decarbonization efforts and facilitate the transition to the Future Practice

## Future Practice

A Stakeholder's new position and activities that prioritize energy efficiency and drive sustained decarbonization

# Changing Business as Usual

## Current Practice

- Uncertainty in the market
- Lack of understanding
- Wide range of competing priorities
- Lack of data and/or key information
- Lack of motivation and/or incentive

## Future Practice

- Awareness of the benefits & rationale
- Early engagement & continued collaboration
- Leasing terms that are mutually beneficial
- Accessible & ongoing data sharing

# Stakeholders



Building Owners & Managers



Consultants



Tenants

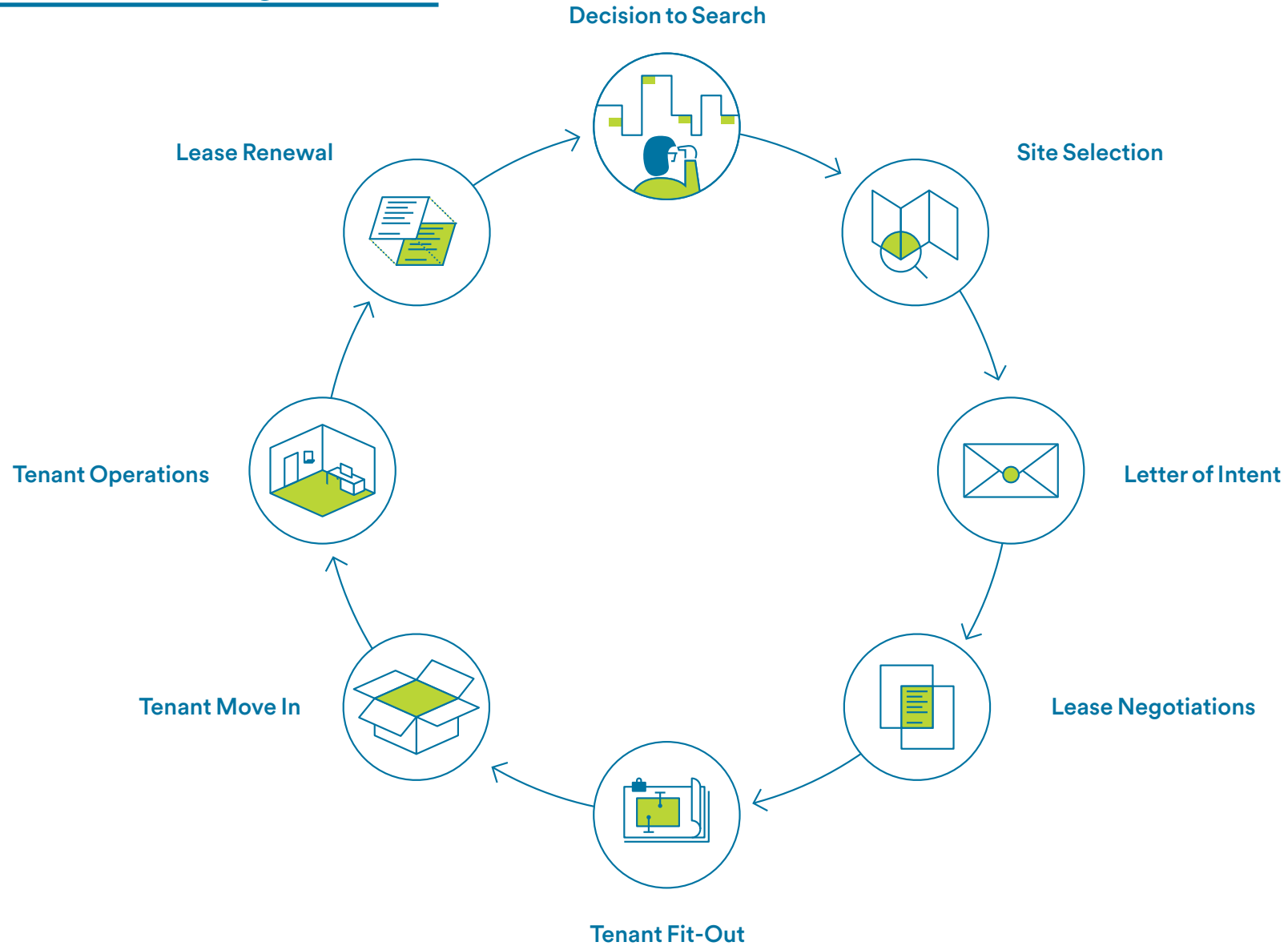


Brokers



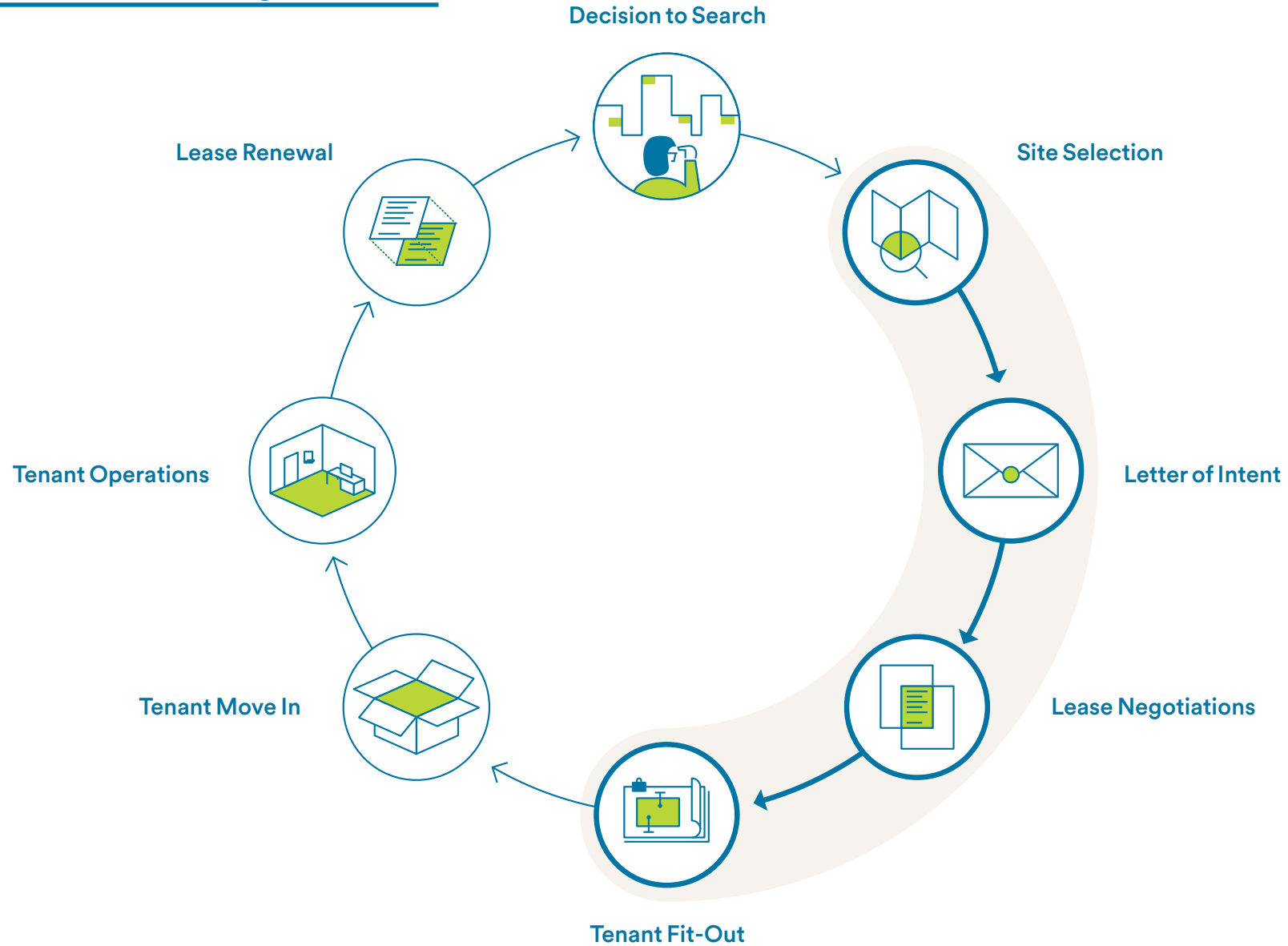
Attorneys

# Commercial Tenant Leasing Process










# Commercial Tenant Leasing Process



# Resource Development

Leasing Step	Stakeholders				
	 Tenants	 Owners & Managers	 Consultants	 Attorneys	 Brokers
1. Decision to Search	●				●
2. Site Selection	●	●	●		●
3. LOI	●	●		●	●
4. Lease Negotiations	●	●		●	
5. Tenant Fit-Out	●	●	●		
6. Tenant Move In	●	●			
7. Tenant Operations	●	●	●		
8. Lease Renewal	●	●		●	●

# Resources

Decarbonizing  
New York City Offices

Guide to  
Creating  
Sustainability-  
Focused  
Marketing  
Materials

Decarbonizing  
New York City Offices

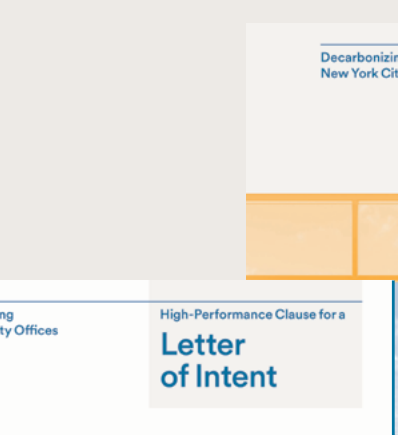
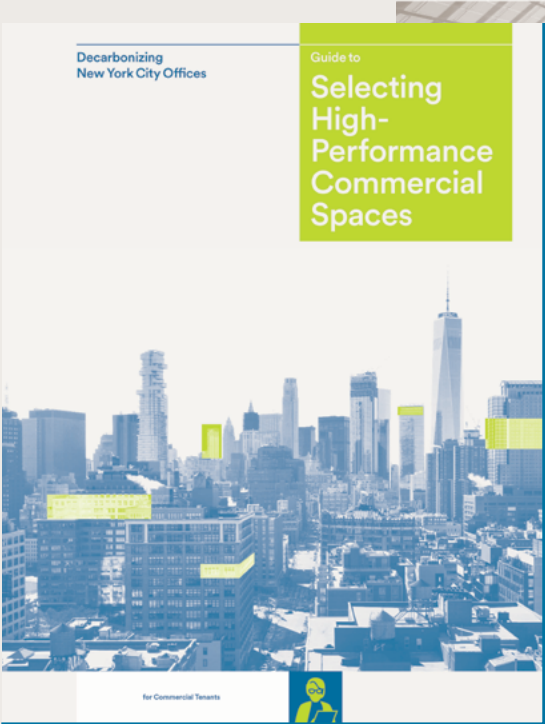
Guide to  
Developing  
High-  
Performance  
Leases

Decarbonizing  
New York City Offices

Guide to  
Selecting  
High-  
Performance  
Commercial  
Spaces

Decarbonizing  
New York City Offices

Guide to  
Fitting Out a  
High-  
Performance  
Commercial  
Space



## High-Performance Clause for a Letter of Intent

To help facilitate the lease negotiation process, it is important to introduce carbon emissions reduction and compliance with Local Law 97 (LL97) prior to the actual lease negotiation so that the other party isn't surprised to see it for the first time at the negotiation table.

If a Letter of Intent (LOI) is used, commercial real estate brokers can incorporate a simple and concise clause, such as the sample provided below, to ensure that both the building owner and tenant are committed to working together to implement carbon emissions reduction strategies. This resource is part of a series of actionable resources developed for the *Decarbonizing New York City Offices* project, an initiative dedicated to reducing carbon emissions in leased commercial spaces.

**Sample Clause**  
The Landlord and Tenant will aim to lower carbon emissions and comply with Local Law 97\* in a manner that equitably allocates the costs and benefits of compliance.  
\*Local Law 97 can be replaced with other applicable laws, regulations, or environmental reporting requirements.

**Justification for Inclusion**  
The sample clause above, which is broad enough to not delay or sidetrack a deal, positions attorneys for both the building owner and tenant to expand upon energy efficiency and carbon emissions reduction goals during lease negotiations.

- **What is the purpose of LL97?**  
Over two-thirds of New York City's carbon emissions come from buildings. LL97, New York City's groundbreaking building performance standard, sets a cap on carbon emissions that takes effect in 2024 and becomes increasingly stringent thereafter. Most privately owned buildings over 25,000 square feet are subject to the law, and owners of these large buildings face significant penalties for noncompliance.
- **How does LL97 impact my lease?**  
With the passage of LL97 in New York City and the emerging interest in building performance standards across the country, leases must expand beyond the standard green leasing practices—which encourage building owners and tenants to include energy-aligned clauses on a voluntary basis—to incorporate terms that mandate compliance with increasingly stringent energy and carbon emissions requirements.

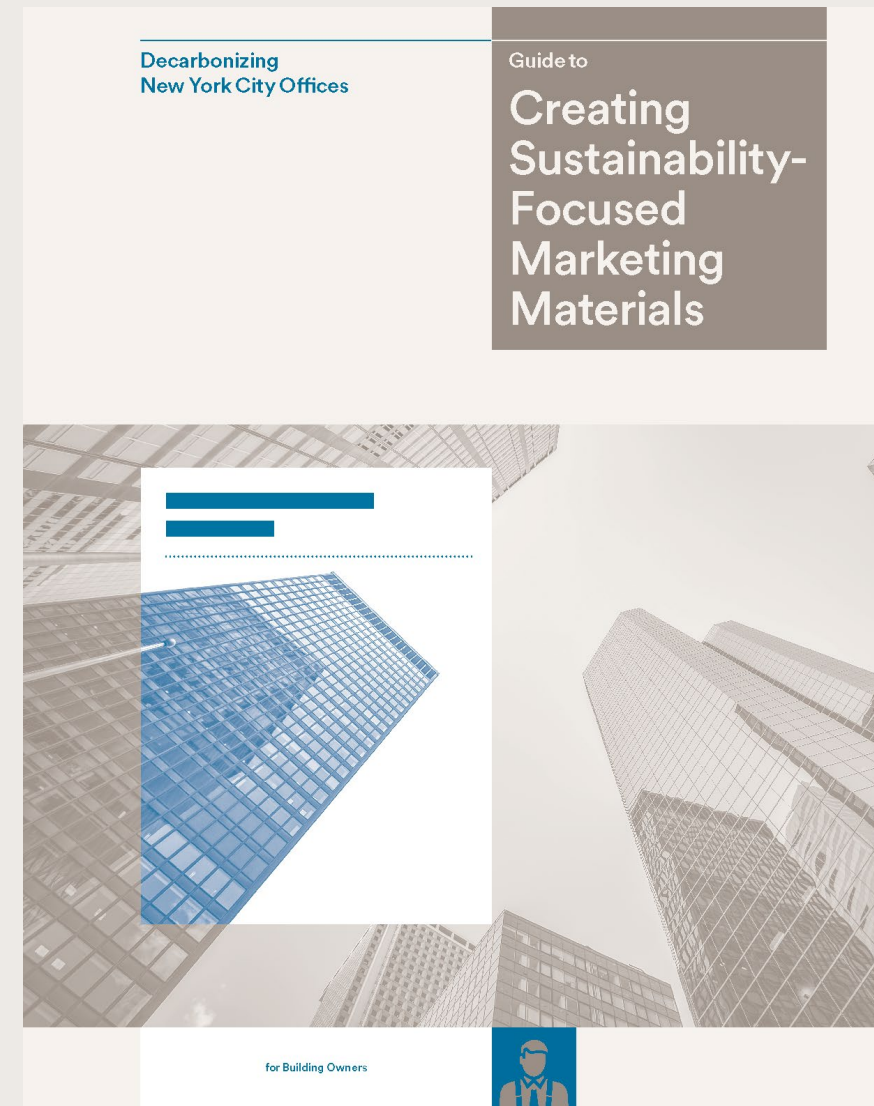
Furthermore, including lease language that 1) defines the specific building target, 2) equitably distributes landlord and tenant responsibilities to meet the target, 3) ensures transparency between both parties, and 4) outlines consequences should either party fail to meet building performance goals will mitigate risk of noncompliance for both parties.

# Guide to Creating Sustainability-Focused Marketing Materials

**Format:**  
Guide & Checklist

**Purpose:**  
To support the inclusion of building systems and performance attributes in standard marketing materials.

**Audience:**  
Owners & Managers



# Guide to Selecting High-Performance Commercial Spaces

**Format:**  
Guide

**Purpose:**  
To support the prioritization of energy efficiency and carbon reduction attributes during site selection.

**Audience:**  
Tenants and their representatives



# High-Performance Clause for a Letter of Intent

## Format: Informational Sheet with Sample Clause

## Purpose: To support the inclusion of performance-based terms within a commercial office lease.

## Audience: Commercial real estate brokers

Decarbonizing  
New York City Offices

High-Performance Clause for a  
**Letter  
of Intent**

**Purpose**

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Furthermore, including lease language that 1) defines the specific building target, 2) equitably distributes landlord and tenant responsibilities to meet the target, 3) ensures transparency between both parties, and 4) outlines consequences should either party fail to meet building performance goals will mitigate risk of noncompliance for both parties.

Decarbonizing New York City Offices      Letter of Intent Clauses      1

# Guide to Developing High-Performance Leases

## Format:

Guide with Sample Clauses

## Purpose:

To provide guidance and sample energy-aligned lease clauses for both landlords and tenants.

## Audience:

Tenants and Owners

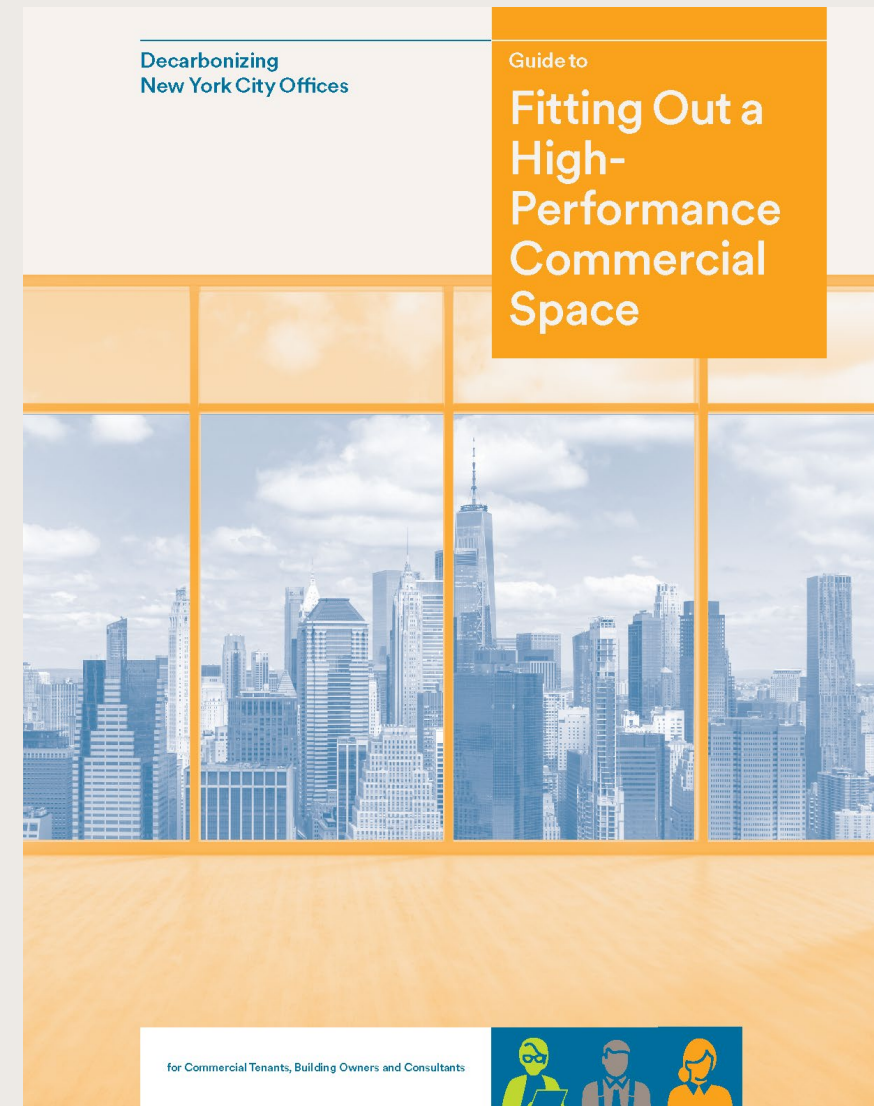


# Guide to Fitting Out a High-Performance Commercial Space

**Format:**  
Guide

**Purpose:**  
To provide key considerations and strategies for designing and implementing high-performance office spaces.

**Audience:**  
Tenants, Owners, and Consultants





# Strategies for Success

## Format:

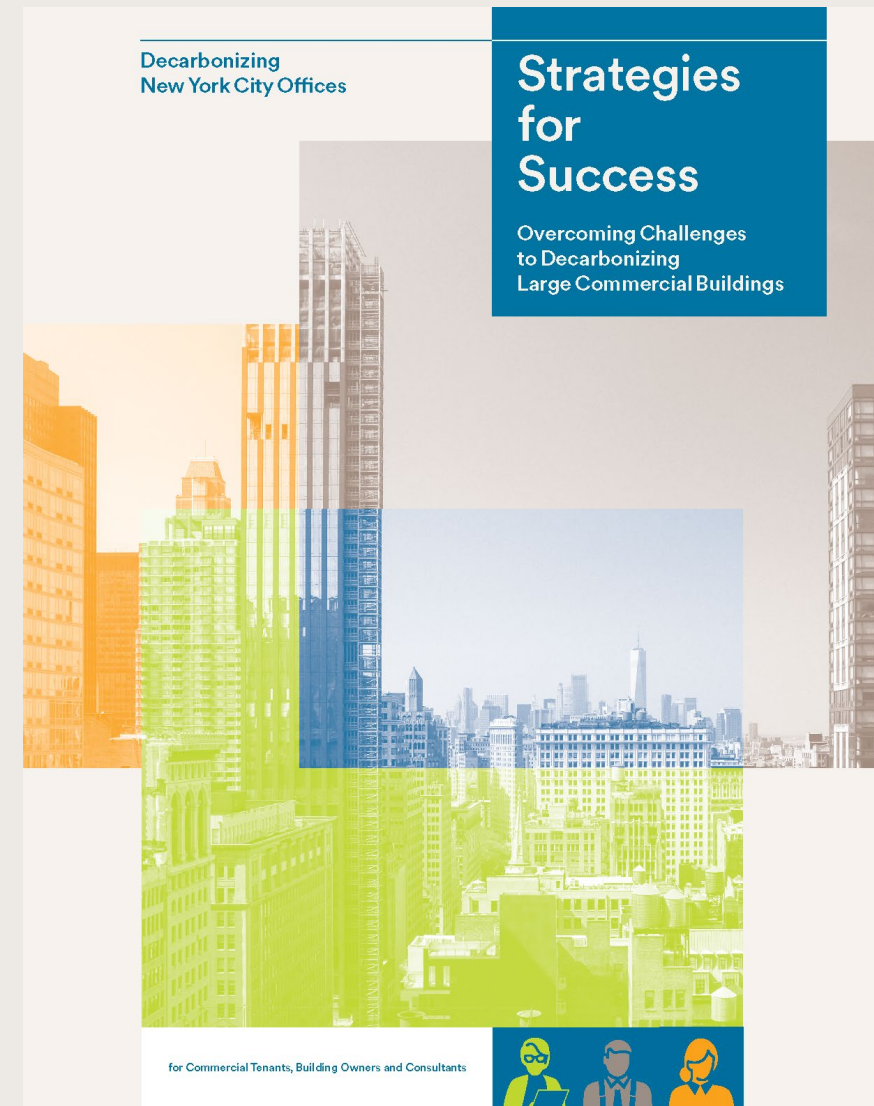
Guide with Example Scenarios

## Purpose:

To help identify common challenges to decarbonization and provide strategies for overcoming these barriers.

## Audience:

Tenants, Owners, and their legal and design teams



# Playbooks

Decarbonizing New York City Offices

## Playbook for Tenants

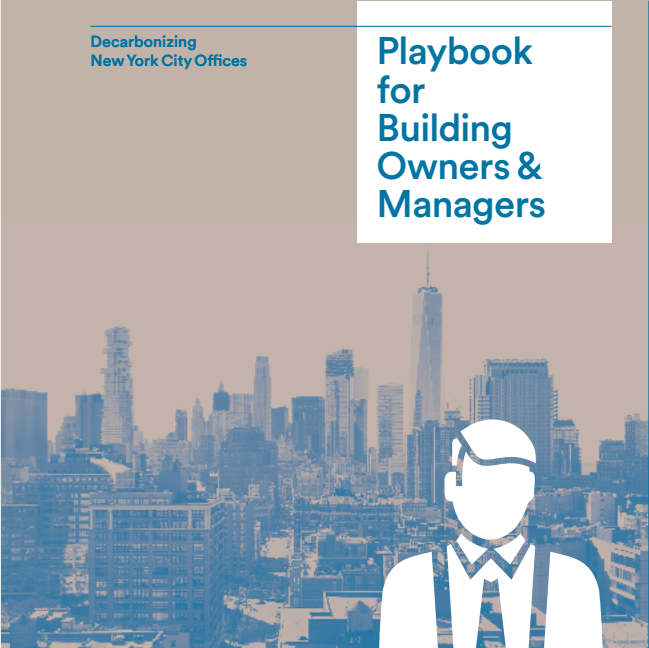


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## Playbook for Building Owners & Managers



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## Playbook for Consultants



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# Playbooks for Tenants Owners & Managers Consultants

**Format:**  
Playbook

**Purpose:**  
To provide each stakeholder with curated guidance and resources at specific steps of the leasing cycle.

**Audience:**  
Tenants, Owners & Managers,  
and Consultants

Site Selection		Site Selection Resources
Current Practice	Future Practice	
<p><b>Tenants</b></p> <p>Tenants, with their broker, engage a building owner and assesses a potential space based on factors such as rent, location, and amenities, rather than building performance.</p> <p><b>Why Change?</b></p> <p>Prioritizing energy efficiency will allow tenants to:</p> <ul style="list-style-type: none"> <li>Align their space with their sustainability goals</li> <li>Inform how their space must be designed and operated to comply with LL97 emission limits</li> <li>Ensure they are not overburdened to pay more than their fair share of potential LL97 fines associated with noncompliance</li> <li>Drive market demand for healthier, high-performance building stock and office spaces</li> </ul> <p><b>Call to Action</b></p> <p>Tenants must:</p> <ul style="list-style-type: none"> <li>Hire representatives (e.g., brokers, engineers, and architects) that understand energy performance and LL97 requirements</li> <li>Evaluate the energy performance of buildings – including an owner’s energy efficiency priorities, building energy grade, whole-building capital improvement plan, LL97 compliance and others – when choosing different sites</li> </ul>	<p><b>Business Case</b></p> <p>Selecting a space with efficient building systems offers benefits, including:</p> <ul style="list-style-type: none"> <li>Increased operational savings</li> <li>Increased health and comfort of employees</li> <li>Ability to attract and retain employee talent that increasingly prioritizes healthy and sustainable workplaces</li> <li>Ability to attract and retain clients and lenders that increasingly prioritizes forward-thinking, sustainable real estate practices</li> </ul>	<p><a href="#">Guide to Selecting High-Performance Commercial Spaces</a></p> <p><a href="#">Guide to Creating Sustainability-focused Marketing Materials</a></p> <p><a href="#">Strategies for Success</a></p>
<p><b>Owners &amp; Managers</b></p> <p>Building owners market an available space based on factors such as rent, location, and amenities, rather than building performance. Owners, with their broker, engage with a potential tenant and their broker to communicate the benefits and incentives of a space.</p>	<p>Building owners provide tenants, including their brokers and consultants, with building system &amp; energy performance information and communicate the benefits and incentives of a space.</p>	<p><a href="#">LL97 Carbon Emissions Calculator</a></p> <p><a href="#">Why Commercial Tenants Should Care About Building Energy Performance Standards</a></p> <p><a href="#">Building Specification Sheet Template</a></p> <p><a href="#">Tenant Energy Optimization Program</a></p> <p><a href="#">Tenant Energy Optimization Program (TEOP) for Architects</a></p>
<p><b>Consultants</b></p> <p>Consultants are typically not involved during the Site Selection phase and often only engaged during the Fit-Out and Operations phases, long after base building systems have been evaluated and lease terms have been established.</p>	<p>Consultants help tenants understand the benefits and impacts of building system and energy performance information of potential spaces to inform the tenants’ selection of a specific space.</p>	
<p><b>Attorneys</b></p> <p>Attorneys are not typically involved during this phase.</p>	<p>Attorneys are not anticipated to have a significant role during this phase.</p>	
<p><b>Brokers</b></p> <p>Brokers show and advise tenants on prospective spaces that fit their preferences, which often do not include building performance and therefore miss financial implications and other benefits of high-performance buildings.</p>	<p>Brokers incorporate and prioritize building system and energy performance information into their assessment of prospective spaces and help drive tenant demand for high-performance buildings.</p>	
10 Decarbonizing New York City Offices	Playbook for Tenants	11

# Decarbonizing NYC Offices



[ComTenantEfficiencyNYC@be-exchange.org](mailto:ComTenantEfficiencyNYC@be-exchange.org)

[www.be-exchange.org/decarbonizing-new-york-city-offices-project](http://www.be-exchange.org/decarbonizing-new-york-city-offices-project)

Project Partners



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