



# Welcome to BC3's Green Tenant Toolkit

**Working Group Meeting 1**

**Thursday, June 23, 2011**

**1:00 PM – 4:00 PM**

**ARUP, 560 Mission St # 700**



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# Green Tenant Toolkit Working Group

## Meeting #1 Agenda

- 1:00—1:10    Introductory Remarks  
Jennifer Berg, Esq. Concept Green LLC (Facilitator)  
Katherine Michonski, Business Council on Climate Change  
Barry Hooper, San Francisco Department of the Environment
- 1:10—1:30    Introductions (Group)
- 1:30—1:45    Background of Green Tenant Toolkit/Leasing 101  
Steven Ring: Member, Existing Commercial Building Task Force; Northern California City Leader, Cushman & Wakefield
- 1:45—2:35    Identification of issues and roadblocks (Breakout groups)
- 2:35—2:45    Break
- 2:45—3:00    Subgroups: Introduction of Leaders and Topics  
Zorana Bosnic, VP/Sustainable Design Director, HOK  
Zachary Brown, Ass. Property Manager, The Ferry Building, Equity Office Management, LLC  
Jordan O'Brien, Senior Management Consultant, Arup
- 3:00—3:30    Subgroups convene
- 3:30—3:45    Green *Lease* Toolkit? (Group)
- 3:45—4:00    Wrap-up and Next Actions



# Introductory Remarks

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Jennifer Berg, Esq.

Senior Associate

Concept Green, LLC

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Katherine Michonski

Program Manager

Business Council on Climate Change

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Barry Hooper

Green Building Specialist

SF Environment



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# Group Introductions

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Name, Organization, and Title

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What's your “superpower”?

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What was your worst office space experience?



# Background of the Green Tenant Toolkit/Leasing 101

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Steven Ring

Member, Existing  
Commercial Building Task  
Force

Northern California City  
Leader, Cushman &  
Wakefield



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# The Split Incentive

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- LL can have motivation to save costs
  - Shorter lease, more incentive
  - Marketability of vacant space
  - Good tenant relations
  - Lower cost = Increased Asset Value
- TNT can have motivation to save costs
  - Reduced common area maintenance costs (CAM)
  - NNN tenant has biggest motivation
  - Depends on length of the lease



# Commercial Lease Structures

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- Gross Lease Attributes
  - Typical in City of San Francisco
  - Landlord provides and pays all services
  - Expenses are above a base year
  - % usually based on square footage
  - Five year term is very common
  - Landlord has some incentive to save costs



# Commercial Lease Structures

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- Triple Net Lease – NNN
  - Not typical in commercial office leasing
  - Tenant is provided services by Landlord
  - Tenant pays for all services through billback
  - % is typically based on square feet
  - Less incentive for LL to save costs



# Scenario 1 – Gross Lease Small Tenant

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- Office Building – 300,000 sf
- Tenant Size – 3,000 sf
- $\% = 3,000/300,000 \text{ sf} - 1\% \text{ interest}$
- Energy Cost Base Year = \$600,000
- Energy Cost Year 2 = \$618,000 (3% inc)
- Tenant responsible \$18,000 x 1%=

**\$180**



# Scenario 2 – Gross Lease Big Tenant

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- Office Building – 300,000 sf
- Tenant Size – 60,000 sf
- $\% = 60,000/300,000 \text{ sf} - 20\% \text{ interest}$
- Energy Cost Base Year = \$600,000
- Energy Cost Year 2 = \$618,000 (3% inc)
- Tenant responsible \$18,000 x 20%=
  - **\$3,600**



# Scenario 3 – NNN Lease

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- Office Building – 300,000 sf
- Tenant Size – 3,000 sf
- $\% = 3,000/300,000 \text{ sf} = 1\%$
- Energy Cost = \$600,000
  
- Tenant Cost =  $\$600,000 \times 1\% = \$6,000$
  
- Tenant Cost Yr 2 =  $\$618,000 \times 1\% = \$6,180$

**NET INCREASE \$180**

- Office Building – 300,000 sf
- Tenant Size – 60,000 sf
- $\% = 60,000/300,000 \text{ sf} = 20\%$
- Energy Cost = \$600,000
  
- Tenant Cost =  $\$600,000 \times 20\% = \$120,000$
  
- Tenant Cost Yr 2 =  $\$618,000 \times 20\% = \$123,600$

**NET INCREASE \$3,600**



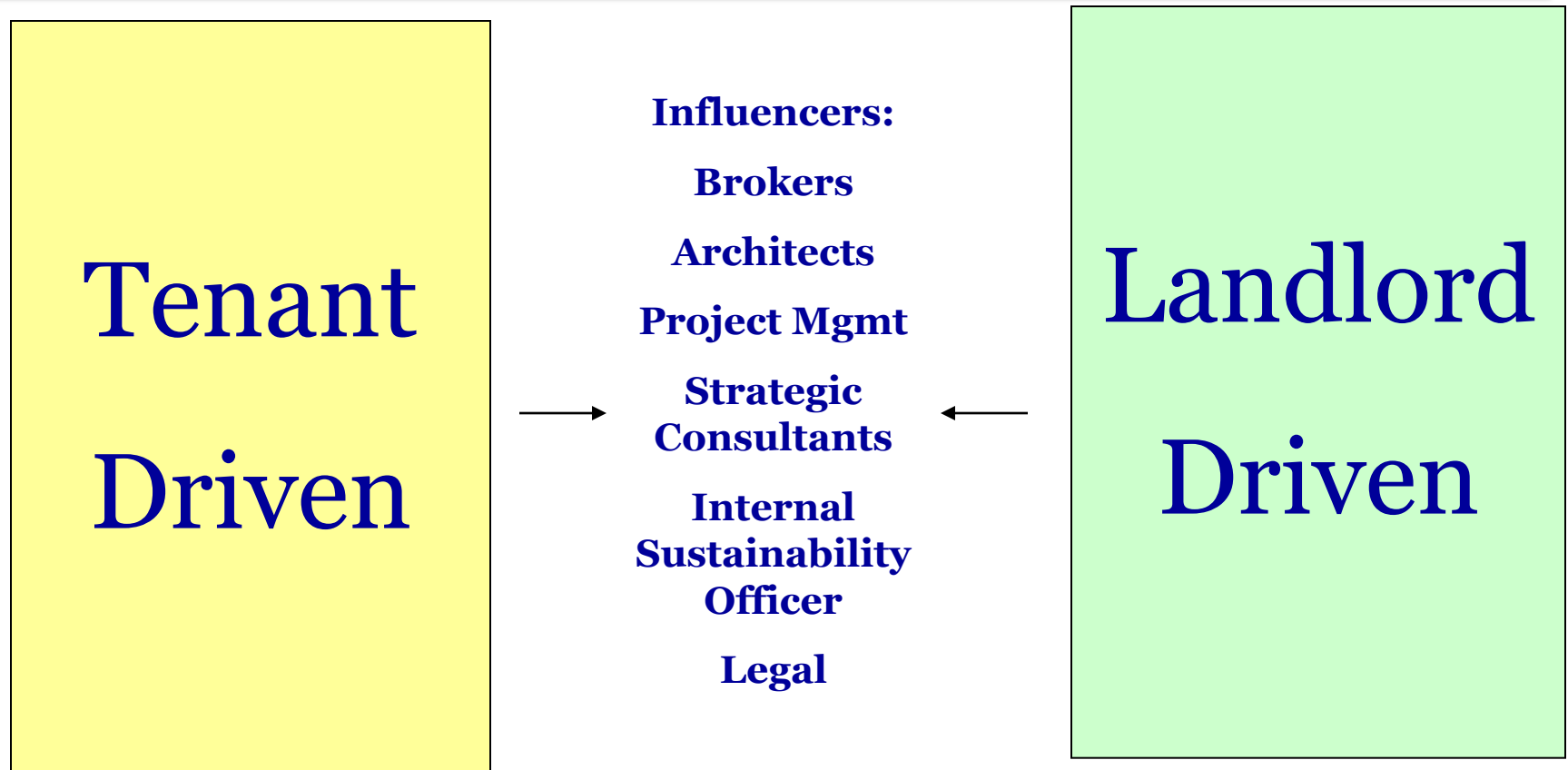
# Scaled Over Time

Base Year	Year 2	Year 3	Year 4	Year 5	Total
\$600,000	\$618,000	\$636,540	655,636	675,305	
<i>Increase</i>	\$18,000	\$36,540	\$55,636	\$75,305	<b>\$185,481</b>
<i>1%</i>	\$180	\$365	\$556	\$753	<b>\$1,854</b>
<i>20%</i>	\$3,600	\$7,308	\$11,127	\$15,061	<b>\$37,096</b>

Assume 3% annual increase in cost



# Integration of Sustainability



# Identification of Issues and Roadblocks

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## Breakout Groups

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Try to think from the perspective of an owner, tenant, broker, etc.

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Record key points to share.

One representative from each group will have 5 minutes to present to whole group



# Subgroups

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I. Tenant Engagement—Zorana Bosnic:  
VP/Sustainable Design Director; HOK

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II. Green Lease—Zachary Brown: Ass. Property  
Manager, The Ferry Building, Equity Office  
Management, LLC

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III. Checklists, Scorecards and Other Tools—  
Jordan O'Brien: Senior Management  
Consultant, Arup



# Green *Lease* Toolkit?

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What will our final product include?

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How can our name cover all of this?

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What would you like to see in our name?



# Wrap-up

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Thank you for participating!

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Final Questions/Comments?

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Next Meeting



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