



GREEN LEASE LEADERS

CREATING SUSTAINABLE LANDLORD-TENANT RELATIONSHIPS

LAW FIRM LEVERAGES
GREEN LEASES FOR GLOBAL
IMPACT

➔ THIS RESOURCE IS PART OF A SERIES OF CASE STUDIES SHOWCASING EXCITING GREEN LEASE TRENDS AND BEST PRACTICES. VISIT [GREENLEASELEADERS.COM/RESOURCES](https://www.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.

Typical leases often create a split incentive between building owners and tenants where the cost of investing in energy and water efficiency improvements is borne by one party while the other experiences the benefit of reduced utility costs resulting from those improvements. Green leases eliminate the split incentive by equitably aligning the costs and benefits of energy and water efficiency investments for both parties. A [study](#) by the Institute for Market Transformation (IMT) found that green leases could potentially reduce energy consumption in U.S. office buildings by as much as 22 percent, yielding reductions in utility expenditures in commercial buildings up to \$0.51 per square foot. With up to \$3.6 billion in potential energy savings available, the need to dramatically transform the way leases are structured is increasingly important, particularly as cities unveil more stringent building codes and performance standards in pursuit of climate mitigation targets.

Launched by IMT and the U.S. Department of Energy's (DOE) Better Buildings Alliance in 2014, Green Lease Leaders is the premiere industry recognition program that shines a light on forward-thinking real estate companies and practitioners each year who effectively modernize their leases to overcome the split incentive and spur collaborative action on energy efficiency and sustainability in buildings. This year's Green Lease Leaders represent portfolios totaling nearly 1 billion square

feet and comprise a diverse range of buildings from large and small commercial offices to industrial buildings and data centers. Together, Green Lease Leaders manage nearly 3 billion square feet of commercial and government space across North America, representing a huge potential for growth in green leases. In the commercial sector alone, green leasing has the potential to affect 8 percent of leased space nationwide.

In the following case study, IMT and DOE's Better Buildings Alliance highlight one 2020 Green Lease Leader who received Gold designation for implementing effective strategies in their leasing practices and overall building operations. This year's class covers multiple sectors and consists of the largest cohort of tenants since the program's conception, a clear indication that tenant demand for high-performing buildings is growing. Their actions set strong examples for every real estate or sustainability practitioner to consider when leasing property.

[Latham & Watkins:](#) With an overarching goal to reduce greenhouse gas emissions by 25 percent against a 2017 baseline, Latham has focused on integrating green leasing best practices to optimize its office operations as well as selecting high-performing space that meets its corporate sustainability standards.



Latham & Watkins LLP

As one of the world's largest law firms, Latham & Watkins (Latham) leases more than 2 million square feet of office space in 30+ locations in 14 countries. The firm seeks to minimize its environmental impact by conserving natural resources and energy, reducing its carbon footprint, and operating in a sustainable and cost-effective manner. With an overarching goal of reducing greenhouse gas emissions by 25 percent by 2022 against a 2017 baseline, Latham primarily focuses on green-leasing and operational best practices, with an emphasis on energy efficient buildings, and high-performing workspaces to support its corporate sustainability standards.

Communicating Sustainable Standards and Practices

Green leasing provisions and careful site selection form a key component of Latham's overarching sustainability strategy, which is overseen by a committee, Latham Sustainability, composed of lawyers and professional staff from around the firm.

In conjunction with the firm's Global Real Estate Department, Latham Sustainability has created a set of sustainable corporate guidelines, utilizing guidance from the [Green Lease Leaders Tenant Reference Guide](#), that apply across the firm's office portfolio. These guidelines not only demonstrate the firm's commitment to environmental stewardship but also reduce the firm's carbon footprint by decreasing energy consumption across its offices. For instance, as part of these guidelines, Latham aims to have all leased space fit-outs meet EPA's ENERGY STAR Tenant Space Criteria or equivalent. Satisfying these criteria lowers energy costs and offers greater visibility into Latham's energy use while providing transparency into tenant energy usage for the landlord. Latham tracks and measures data using an energy management platform, which provides office-level detail to help us to measure and manage our energy consumption and greenhouse gas emissions. Through this platform, Latham can prioritize programs and initiatives that reduce energy consumption and effectively apply its energy management practices across its portfolio.

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Latham utilized its sustainable corporate guidelines in the ongoing build-out of its New York office at 1271 Avenue of the Americas. Latham Sustainability and the firm's Global Real Estate Department have been working closely with the landlord, engineers, and designers on integrating a multitude of sustainable features and amenities that support the shared goal of achieving LEED Gold EBOM certification of the entire building. Construction materials, equipment, and controls are being incorporated to improve energy efficiency and create a brighter and healthier work environment. Amenities—such as a bike storage facility and an on-site café that sources food from local farmers—will help also promote employee health and wellbeing.

Additionally, Latham negotiated green lease provisions that ensure energy efficiency and help prioritize sustainability

throughout the lease term. For example, Latham included a specification that provides access to overtime HVAC on demand. This avoids excess heating and cooling when Latham personnel are not occupying the space while supporting the flexible schedule of Latham's lawyers and professional staff. The firm negotiated the right to directly contract for electricity, and has incorporated a cost-sharing provision, split between Latham and the landlord.

Aligning Sustainability Objectives from the Start

Latham is also committed to finding leased space in buildings that are healthy and high-performing. Latham created a Sustainability Questionnaire to assist in its site selection process and communicate its objectives around sustainability to prospective landlords. By outlining Latham's sustainability objectives upfront, the questionnaire emphasizes the importance sustainability plays in Latham's site selection process and presents opportunities to align sustainability efforts. The questionnaire requests such information as access to tenant energy data, water and waste management initiatives, health and wellbeing amenities, and green-building certifications. With this information, Latham has been able to incorporate sustainability into its decision-making process to determine which potential space aligns best with its corporate sustainability goals.

The firm's Global Real Estate Department is focused on selecting buildings with energy efficient infrastructure and systems, and has sought to incorporate such specifications into its Work Letters in recent leases as a new standard. For all new leases, Latham seeks the option to sub-meter as well as the flexibility





to procure renewable energy directly, if the landlord is unable to provide it. Furthermore, the firm is seeking enhanced visibility into its energy consumption data by incorporating provisions that allow the landlord's Building Management Systems to tie into Latham's monitoring. The New York lease permits Latham to install air flow measuring stations to measure the total amount of supply air and temperature sensors in the main ductwork to measure the air temperature.

Along with site selection, Latham actively seeks opportunities to partner with its landlords to achieve sustainability goals. The firm has worked closely with its landlord in Brussels and is working with landlords in Germany to secure purchasing of 100 percent renewable energy, and is implementing such arrangements in more locations as opportunities arise. In San

Diego, Latham worked with its landlord to deliver solar energy to the campus, which will supply nearly half of the firm's electricity at this location through on-site generated solar energy, with the added benefit of anticipated cost savings of 10 percent in annual utility expense.

Leading a Reduced Carbon Footprint

With greater visibility into the firm's performance and new opportunities for landlord-tenant collaboration, Latham is looking forward to future projects that lead to further reductions in GHG emissions. As a leader in the legal industry and member of the [Law Firm Sustainability Network](#), Latham demonstrates the value of green leasing as an integral part of its business strategy and overall brand positioning.





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/>

