

Policy Analysis and Rationale - Leased Buildings

Jurisdictional Scan

- Of the many jurisdictions that were scanned in updating this policy, only the Government of Canada and the Government of Alberta had policies related to sustainable leasing. It is the Government of Canada's policy that leased buildings must meet LEED NC (new construction) or CS (core and shell) Gold standard in situations where: (a) leases exceed 500 sq. m (with a minimum of 15 year fixed lease term, and (b) where it occupies more than 50% of the building. (Note: The Government of Canada is currently considering revising the minimum floor area from 500 sq. m to 1,000 sq. m to be consistent with the minimum for Crown-owned buildings to be LEED Gold.)
- In addition to the LEED Gold standard, for new leases and lease renewals over 500 sq. m where the Government of Canada occupies more than 50% of the building, the landlords must meet BOMA BEST Level 1. Similarly, for leases over 10,000 sq.m, the landlords must meet BOMA BEST Level 2. The Government of Canada policy also allows for equivalencies (Green Globes, etc.) in the event a landlord has a different program in place in their building. Government of Alberta (Alberta Infrastructure) also indicated that they require BOMA BEST certification for most of its larger leased spaces, although they could not provide a leased space area trigger for their policy.
- All major municipalities across Canada have some type of corporate sustainable building policy governing the design and construction of buildings they own and operate. Some of these policies also address sustainable building operation and maintenance. However, sustainable leasing has not been as much of a priority as most cities tend to own many more buildings than they lease. For instance, the City of Edmonton's total leased space makes up only approximately 8% of the total building real estate that it owns and leases to carry out its program and services. In comparison, Government of Canada leased buildings represent 48% of its overall real property portfolio¹ across Canada. For this reason, the federal government has had a strong sustainable leasing policy that addresses both design and construction (e.g., LEED standard) and

¹ *Public Works and Government of Canada Services. 2016. Leasing of Real Property. Available from: <https://buyandsell.gc.ca/goods-and-services/leasing-of-real-property>*

sustainable operation and maintenance (e.g., BOMA BEST standard) similar to its policy for Crown-owned buildings.

- According to Alberta Infrastructure, requiring BOMA BEST certification in its leased buildings resulted in greater landlord commitment to quality asset management, greater diligence in energy management, and higher quality of space (e.g., indoor environmental quality).

Current Practice

Currently, City leasing policies and procedures do not require sustainable building practices.

Analysis

A high level analysis was performed to determine the potential increase in operating costs if the City of Edmonton's sustainable leasing standard matched that of the federal government.

Assumptions:

- All leased spaces over 500 sq.m that occupied over 50%² of the total building area were included in the analysis, with the following exceptions: modular, industrial, highly specialized (e.g. swimming pool, EPS facilities³), and historic (e.g., McCauley School) building leases were excluded;
- Three largest office leases (CN Tower, HSBC Bank Place and Scotia Place) were excluded from the incremental cost analysis as all the City staff currently in these locations would be moved to the new Edmonton Tower which is LEED Gold certified and would already meet the requirements of the proposed policy;
- Current estimated lease rate of City leased spaces of \$250 per square metre per year (includes rent and operating and maintenance);
- Estimated lease rate of BOMA BEST certified leased space of \$270 per square metre per year (e.g., ~10% incremental premium);
- Estimated average lease rate of LEED Gold certified leased space of \$500 per square metre per year⁴ (similar to the leased rate of Edmonton Tower and other Class AAA office buildings in downtown), a 100% incremental premium);

² Conservative estimations were used to eliminate some libraries in malls, and community services office leases that were >500 sq.m, but less than 1,000 sq.m and located in office buildings that appears to be quite large from google street view

³ Upcoming Edmonton Police Service lease for ~7,500 sq.m of office space was included

⁴ Both the BOMA BEST and LEED Premiums are conservative, and may be over estimates due to the current and future increases in downtown vacancy rates. What is presented is likely the worst case scenario for the near future.

- Assumed that most commercial buildings certified to LEED Gold are also likely to maintain ongoing sustainable operation and maintenance certification such as BOMA BEST;

Two scenarios were included in the analysis:

- Scenario 1: Leases over 500 square metres
- Scenario 2: Lease over 1,000 square metres

Findings: Estimated incremental cost of leasing green buildings

Floor area of leases	Scenario 1 (>500 square metres)	Scenario 2 (>1,000 square metres)
Total leased office or commercial space (all industrial excluded)	18,000	12,700
Approximate percentage of total current leased space (~170,000 sq.m)	10%	7.5%
Incremental cost of BOMA BEST(per year)	\$360,000	\$254,000
Incremental cost of LEED Gold (per year)	\$4,500,000	\$3,175,000
Impact on current City leasing yearly budget (~\$19 Million)		
BOMA BEST	1.9%	1.3%
LEED Gold	24%	17%

The recommendations for City leased buildings were based on the above analysis as well as the following considerations:

- The reference City operations GHG inventory protocol followed by Federation of Canadian Municipalities and which the City of Edmonton adheres to requires GHG emissions from leased buildings to be included in our City operations GHG inventory and management framework;
- In principle, expectations around continuous environmental improvement, pollution prevention and leading by example in climate change mitigation should be aligned between City owned and City leased buildings;
- City leased spaces accounts for approximately 10% of our total building portfolio and account for approximately 6% or less of our corporate GHG

- emissions. Therefore the policy standards should not excessively restrict leasing processes;
- From the energy transition perspective, a leasing policy that tries to improve sustainable building practices in existing buildings is equally important for climate change mitigation than one that potentially leads to a new building being built (e.g. prevent unnecessary use of resources, energy and GHG emissions from new construction); and
 - BOMA BEST certification stands out as a flexible and cost effective best practice due to its prevalent adoption among federal and provincial agencies for both owned and leased buildings. It is reasonable that the City consider this requirement for City-leased spaces where it makes sense.

Updated Policy

Based on this thinking, the updated policy introduces the following requirements:

- Energy use and greenhouse gas impacts of the buildings will be considered as a part of the leasing bid selection criteria;
- Energy consumption and GHG emissions attributed to City leased buildings (or portions of buildings leased to the City) will be included in the City operations GHG inventory to enable benchmarking;
- BOMA BEST certification, at a minimum, will be required for new office and commercial leases and lease renewal over 1,000 sq.m in situations where the term is greater than 5 years and that leased space is greater than 50% of the total building area; and
- All eligible leased buildings will participate in the City of Edmonton's Large Building Energy Reporting and Disclosure Program.

Budget and Implementation

The new BOMA BEST requirement for large City office and commercial leases will come into effect over time as it is gradually introduced through new leases and renewals. Edmonton Tower, which accounts for a large portion of the City's total leased office space, already meets and exceeds this new requirement. The remaining office and commercial leases over 1,000 square metres account for less than 10% of the total City leased portfolio. The ultimate impact after the policy has been in place for several years is estimated at 1% of the City's leasing budget.