
Mayor Bloomberg Announces First Ever Lease for Commercial Office Space that Contains Groundbreaking Language that Incentivizes Energy Efficiency

APRIL 5, 2011

[Mayor Michael R. Bloomberg](#) today joined WilmerHale Co-Managing Partner William J. Perlstein and World Trade Center developer Larry A. Silverstein at the signing of WilmerHale's 7 World Trade Center lease, which is the first to incorporate groundbreaking language crafted by industry leaders working with the Mayor's Office of Long-Term Planning and Sustainability to promote enhanced energy efficiency and sustainability. Under traditional leases, building owners are responsible for the up-front cost of energy efficiency improvements. Tenants, however, are the immediate beneficiaries of those upgrades, in the form of reduced energy costs. Because owners do not share in the benefit, they have little incentive to invest in energy upgrades.

Building on the insights developed by the Natural Resources Defense Council (NRDC) Green Lease Forum, the Mayor's Office of Long-Term Planning and Sustainability brought together a group of real estate and energy efficiency experts and lawyer Mark Rauch to develop new commercial lease language that allows tenants, such as WilmerHale, and owners, such as Silverstein Properties, to share the costs, as well as the benefits, of energy efficiency improvements.

"This agreement between Silverstein Properties and the law firm WilmerHale breaks new ground in the field of energy conservation—and we expect it will be a pioneering model for commercial leases," said Mayor Bloomberg. "This is part of our broad campaign to increase the energy efficiency of large buildings all across the city. When it is fully realized, this 'Greener, Greater Buildings Plan'—the first of its kind in our nation—will be the equivalent of making a city the size of Oakland, California completely carbon neutral."

"Downtown is quickly becoming the world's greenest and most dynamic urban community," said Larry A. Silverstein, president and CEO of Silverstein Properties, Inc. "This remarkable transformation is due in large part to the vision of Mayor Bloomberg and the foresight of companies such as WilmerHale. This forward-looking company's move downtown is part of a broader trend of creative, dynamic companies that want to be in the World Trade Center. These companies—and their employees—want green office space, waterfront parks, public spaces and recreational facilities, and perhaps the best mass transit links of any area in the city."

“WilmerHale is dedicated to excellence and we needed an equally excellent space to continue expanding our thriving New York practices,” said WilmerHale Co-Managing Partner William J. Perlstein. “With this lease, we are able to aid in the revitalization of downtown in an environmentally friendly manner. WilmerHale has a proud legacy in this city and this move marks another exciting milestone in our history.”

“The best negotiations are those which end up with both parties better off,” said Sustainability Director David Bragdon. “Today is an example of that; it proves that working together, we can change the ways we are doing business, and create situations where we harness self-interest to serve the common interest.”

“Energy-aligned leases are truly win-win-win—good for the landlord, good for the tenant and good for the environment,” said Dan Tishman, chairman and CEO of Tishman Construction and chairman of NRDC. “Kudos to Silverstein Properties and WilmerHale for being New York’s private-sector pioneers in this.”

“The real estate industry in New York has always been at the forefront of embracing innovation that makes sense,” said Steven Spinola, REBNY president. “The adoption of the Mayor’s Green Leasing Language in commercial leases is a win-win-win for owners, tenants and the city. Building owners will now be incentivized to invest in energy-efficient improvements that offer significant benefits to tenants, and also will help our city’s commercial buildings to become cleaner and greener. REBNY applauds the city for addressing the split incentives issue which had created barriers to re-investment in buildings. We’re proud that our 12,000 members, which include the city’s largest commercial property owners and managers, are leading the charge towards adopting and using this language in commercial leases.”

“This latest lease agreement is a clear indication of the enormous progress we have continued to make in rebuilding the World Trade Center site,” said Assembly Speaker Sheldon Silver. “I am proud of the resilience and determination our community has shown in the years since the 9/11 attacks, creating a thriving 24/7 neighborhood—complete with new schools, parks and cultural amenities—that is even better than what we had before. As today’s announcement shows, we have continued to attract an incredible diversity of businesses, even as we also experience a huge influx of new residents.”

“We applaud Mayor Bloomberg for his leadership in green building and the city of New York for developing this innovative approach to overcoming this unnecessary barrier,” said Rick Fedrizzi, president, CEO and founding chair of the US Green Building Council. “By working collaboratively with stakeholders to develop a consensus-based solution—the Energy Aligned Lease—the city has created a model that effectively addresses one of the more entrenched structural barriers to green building. This new model lease will not only help scale up green building improvements in New York City, but it will also help inform other cities across the country as they look to replicate this creative solution.”

Current commercial office space leases allow for tenants to share the costs incurred by owners for capital improvements, but it is seldom used because the time horizon for recouping the costs is too

long. The lease announced today counts savings over the length of a projected payback period, instead of the useful life of the improvements, shortening the amount of time it takes for the owner to recoup the money from savings, thus making it more likely the owner and tenant will make capital improvements. The city's commercial office space leases are negotiated by the Department of Citywide Administrative Services (DCAS). DCAS will add the green lease language to all new lease negotiations.

"Green lease agreements will give our private owners an incentive to make their buildings more efficient—and city agencies will share in the energy savings," said DCAS Commissioner Edna Wells Handy. "We look forward to working with the private sector to achieve our PlaNYC goal of reducing city government's greenhouse gas emissions 30 percent by 2017. The green lease helps us achieve that goal."

WilmerHale, a law firm currently located at 399 Park Avenue, will occupy 210,000 square feet of space on floors 41 through 45 of 7 World Trade Center, the city's first LEED-certified. With WilmerHale's commitment, 7 WTC is now 90 percent leased. 7 World Trade Center's environmental design features include state-of-the-art ultra-clear exterior glass technology, high-efficiency air filtration, energy and water conservation technologies, and 15,000 square feet of open park space.

The Mayor thanked the following parties for their help in making the green lease possible: Marc Rauch; the Real Estate Board of New York (REBNY); Silverstein Properties; ForestCity Ratner Companies—First New York Partners; Cushman & Wakefield; Ernst & Young; Deutsche Bank; Cycle 7; HR&A; the Environmental Defense Fund (EDF); Natural Resources Defense Council (NRDC); Goldman Copeland; JB&B; and the New York State Energy and Research Development Authority (NYSERDA).

[Pictures of the lease-signing press conference](#) are available on Mayor Bloomberg's site.