

Green Leasing Basics

What is a green lease?

The term “green lease” refers to a lease between a tenant and landlord that integrates environmental or “green” aspects into the actual language of the contract. This language could refer to a number of environmentally-related aspects of the building, ranging from recycling practices, to bike racks, to energy use. For our purposes, we are most interested in green leases as a tool to more easily address energy efficiency in rental properties, where the person paying for improvements is not always the same person receiving the savings on the utility bill.

Remember: Green leasing refers to the actual legally binding language in the contract between tenant and landlord.

While many landlords are integrating green building practices and energy efficiency into their properties, it is not a “green lease” unless the actual language of the lease references the responsibilities of each party as it relates to environmental issues.

Example 1: Lease specifies how the costs and savings of an energy improvement will be divided between tenant and landlord.

Landlord invests \$200 into a project that will save \$20/month. The tenant used to pay \$40/month on utility bill but will now only pay \$20/month. A green lease could state that the savings will be shared with the landlord until the project is paid off. In this example, the tenant could pay \$20/month for electricity and \$10/month for rent for the first 20 months, so that they are still saving money on their electric bill, but the landlord recoups his/her initial investment.

Example 2: The landlord pays utilities, but the lease specifies a cap on maximum usage per month.

Landlord invested in energy efficiency upgrades but wants to ensure the tenant uses energy wisely. If the tenant stays under the cap, the difference is added to security deposit. If they go over, the difference is subtracted from security deposit. It gives the tenant incentive to save energy and gives the landlord budget certainty.

Why are green leases good for Pittsburgh?

- 48% of housing units city-wide are renter-occupied.
- Renter-occupied homes use 32% more energy per square foot.
- Locally, addressing energy efficiency in rental units could reduce carbon emissions by as much as 112,000 tons. That’s the same as not burning 109 million pounds of coal or planting 83,000 acres of forest.
- Presents an opportunity to improve housing stock in Pittsburgh.
- Has potential to save money for both the landlord and the tenant.

For more information:

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