SUSTAINABLE BUSINESS & ENTERPRISE ROUNDTABLE

Real Estate Leadership Council Member Tool:

MORE SUSTAINABLE FACILITY MANAGEMENT (FM) CONTRACTING

SUSTAINABILITY ROUNDTABLE, INC.
LEADERS CREATING VALUE

Sustainable Facility Management (FM) Contracting: Guidance & Tools

Table of Contents

Introduction

This *Sustainable Facility Management (FM) Contracting: Guidance and Tools* briefing is part of SR Inc's year-round Sustainable Real Estate Roundtable (SRER) business service, which assists Member Executives responsible for making more than one billion square feet of real estate (RE) more sustainable.

Leading companies and FM service providers are actively revising and updating FM contracts to align with RE and corporate mandates for more sustainable facilities, resulting in a sea change to the contractual relationship between the parties. This briefing captures current best practices, and will be updated regularly to enable Member Executives to stay abreast of this critically important management responsibility.

Today, an effective service contract is the result of a comprehensive negotiation process in which sustainability practices are carefully embedded into each step in selecting a **facility management (FM)** service provider, from the initial definition of the service requirements through to contract negotiations and ongoing performance evaluations. As part of FM contracts, companies integrate performance-based clauses, which detail open-ended objectives without specifying a method for achieving them. Sustainable FM contracts include three key components: (1) **clearly defined outcomes**, in the form of stated goals or quantitative targets; (2) **data collection** to track progress toward those targets; and (3) **a compensation structure** that rewards results that exceed required outcomes and penalizes underperformance.

This briefing includes extensive guidance and sample documents with typical contract provisions and language within key categories (e.g. data sharing and collection, sustainable sites, energy and atmosphere, and materials and resources), profiles of leading FM and related service providers and their sustainability offerings, RFP, RFQ, and contract templates, and sample documents from publicly-available sources. These documents provide RE executives with actionable templates and tools to add value during the FM contracting process.

The guidance provided here must complement, not replace, the absolutely necessary advice of contracting counsel, procurement teams and expert RE advisors experienced in service contracting. SR Inc recommends that enterprises work with qualified advisors as well as service providers to negotiate effective measures for performance in clear and enforceable contracts.

Overview of FM Contracting

Companies and federal and local government agencies have utilized performance-based contracting for facility management and related services for some time, integrating **service level agreements (SLAs)** to maintain operational uptime, clean facilities, and ensure building code compliance. An emerging practice is to integrate corporate and RE sustainability objectives within the performance metrics in SLAs and performance-based contracts. Leading companies such as SRER Member-Clients Clarion Partners, Genentech, and Symantec utilize these contracts to establish shared responsibility between the company and the service provider for higher-performing, more sustainable buildings.

RE executives include sustainability performance requirements in their FM contracts after first considering the key objectives of the contracting process. Depending on organizational policies for sustainability, timing of contract renewals, and objectives, companies integrate sustainability goals and targets in three types of contracts:

- **Within the FM contract** itself, particularly with new contracts or when sustainability is a core component of the company's real estate and facilities strategy.
- **Within a sustainability SLA** or similar contract attachment.
- **Within amendments** to the existing contract, memoranda of understanding (MOUs), or agreements for sustainability services.

Executives work with their procurement and legal teams to pursue the appropriate strategy for the agreement. For example, SRER Member-Client Symantec sought a separate agreement with Cushman & Wakefield to add services outside the scope of its existing contract, choosing not to change service providers. SRER Member-Client Genentech, however, undertook a complete overhaul of its real estate services contracting and procurement process at newer sites, issuing an updated RFP and implementing sustainability-focused contracts with chosen service providers.

Executives also integrate sustainability objectives within the initial **request for qualifications (RFQ)** or **request for proposals (RFP).** Before issuing an RFQ or RFP, or beginning contract renegotiations, corporate users address the following:[1]

1. **Determine and specify scope of FM services.** Based on their priorities, executives request that FM service providers offer some or all of the following services:

    - Facility management
    - Real estate transaction services
    - Energy management
    - Food service
    - Landscaping
    - Cleaning and janitorial services
    - Pest management
    - Recycling and waste collection
    - Space optimization and design
    - Supply chain management

2. **Define goals and targets with measurable performance standards.** Executives next determine the appropriate goals and targets. Goals may include achievement of a particular building certification level (e.g. LEED Gold, Platinum, etc.) or year-over year improvement to the ENERGY STAR (or similar) score. Quantitative targets may include improved energy, water, and materials efficiency, space utilization, levels of volatile organic compounds (VOCs), and others. All definitions of goals and targets include both the outcome desired and a timeline for achieving that outcome.

[1] SR Inc analysis and GAO (http://www.gao.gov/assets/240/235674.pdf).

3. **Determine an effective compensation scheme.** Executives then integrate appropriate incentive measures within the contract and consider penalties, if appropriate, for failure to meet the established objectives. Traditional incentives include a percentage bonus payment for exceeding performance requirements as well as shared savings for projects proposed by the service provider. Penalties usually take the form of reduced payment, such as payment only for operating expenses instead of the negotiated fee. Leading companies are experimenting with novel incentives, such as preferential treatment for contracts at other properties and an expanded scope of work if all objectives are met or exceeded. For example, companies can choose to procure the services of a contractor at sites not originally contracted, or to contract a janitorial service provider for HVAC maintenance and related services.

4. **Establish regular reviews.** Executives finally designate a standard reporting process and review schedule, appointing responsible parties to oversee the process both internally and with the FM service provider. Companies may additionally require that service providers appoint a specific contact for all matters related to sustainability, or for specific practice areas, such as energy management or certifications, such as LEED, ENERGY STAR and BREEAM.

RE executives provide the above directly within the RFQ or RFP and evaluate which FM service provider will best achieve the desired outcomes. The sections below provide language that has been used in RFQ, RFP, contract and SLA documents.

FM Contracting Guidance

Leaders find that developing and negotiating a sustainable FM contract is a valuable complement to a portfolio-wide sustainability strategy. FM service providers are critical partners in implementing a sustainability roadmap and achieving goals and quantitative targets both at the site level and portfolio-wide.

The tables below provide an overview of contract language and provisions, including performance-based clauses, that address sustainability initiatives. These are based on documents from multiple SRER Member-Clients, service providers, and public sources.

Within the sample language provided, SR Inc uses the following conventions:

- COMPANY: the company requesting or contracting for services.
- CONTRACTOR: the FM or related service provider.
- FACILITY(-IES): the facility or facilities included within the scope of work (SOW).
- Language that must be adjusted to meet specific company requirements is denoted by square brackets ("[ ]").

Roles and Responsibilities

Leading companies base service provider contracts on a clear delineation of organizational roles and responsibilities, emphasizing shared responsibilities in meeting sustainability objectives.

Table 1. Objectives and sample language for roles and responsibilities.

Objective	Sample Language
Define service-level outcomes.	• This document is written as **an outcome-based Statement of Work (SOW)**. Statements labeled as "Outcomes" define the aggregate value that COMPANY expects to receive from facility services. These Outcomes are linked to Service Levels ("Service Levels") as identified in [Service-Level Agreement, Section X, etc.] below for all facility services, and will be the basis for ongoing measurement of CONTRACTOR's performance. • **Work Requirements ("Work Requirements") outline the major work tasks involved and specific requirements** of COMPANY. The Work Requirements are provided primarily for guidance and are not intended to be all inclusive. The CONTRACTOR will identify and perform any additional work required to meet the Outcomes and Service Levels, whether or not specifically called out in this document.[2]
Grant contractor discretion over how to achieve outcomes and implement best practices.	• COMPANY intends to allow CONTRACTOR **discretion to define and deliver any and all work tasks required to deliver the defined Outcomes and Service Levels**, within the limits set out in the Agreement. However, COMPANY reserves the final decision authority to require CONTRACTOR to provide, or cease to provide, specific resources (including employees and vendors), methodologies, processes, technologies and work practices at any time it deems such intervention to be in its business interest. • CONTRACTOR is expected to **transfer and implement Best Practices from one site to another**. This includes within COMPANY sites, as well as Best Practices from other clients that CONTRACTOR works with, where applicable.[3]

[2] Source: Leonardo Academy. Model Procurement and Contracting Documents for Green Performance Contracting, 2007. http://www.leonardoacademy.org/leo-recent-publications/reports/134-model-procurement-and-contracting-documents-for-green-performance-contracting-a-leonardo-academy-white-paper.html

[3] ibid

Assign an internal party with responsibility for oversight, review, and recommendations.	• CONTRACTOR will work with Energy Manager, IT Lab/Data Center Energy Manager and Sustainability Manager to develop energy management and sustainability strategies for all Locations listed below.[4] • COMPANY will establish a primary contact to serve as the point for issue escalation and resolution and procedural approvals. • CONTRACTOR will provide regular reviews with COMPANY [Regional Facilities Director, Energy Manager and/or Sustainability Manager] on a monthly basis.[5]
Define roles and responsibilities for contractor representatives.	• CONTRACTOR will appoint a primary contact for all questions related to this contract, sustainability initiatives, and building certification.[6] • As part of the annual budget review process, each CONTRACTOR facility manager will develop and present **operating and capital expense requirements** for implementing sustainability related projects and conservation contracts; including cost, projected annual savings, rebates and payback period.[7]
Define role and responsibility with regard to tenant manuals.	• Follow the tenant manual that includes direction or guidance on sustainability (energy use, recycling, reduce commuting, etc.). • Comply with specific environmental performance design and construction standards for TI.

[4] Source: Anonymous SRER Member-Client A and Cushman & Wakefield. Preliminary Facility Management Contract, 2012.
[5] Source: Anonymous SRER Member-Client B and CBRE. Global Energy and Sustainability: Services Overview, 2011.
[6] Anonymous SRER Member-Client A and Cushman & Wakefield.
[7] Anonymous SRER Member-Client B and CBRE.

Goals, Targets, and Compensation

After outlining appropriate roles and responsibilities, companies define a framework for performance. Most contracts will include goals and targets within an SLA or other attachment rather than within the contract itself to allow for easier update and modification. See the sample SLA in Appendix C for more detail on these documents.

Table 2. Objectives and sample language for goals, targets, and compensation.

Objective	Sample Language
Introduce overall sustainability goals and primary contract objectives.	• CONTRACTOR shall diligently pursue Company's sustainability goals pertaining to energy and water conservation, energy efficiency, building certification, cleaning practices, waste stream mitigation and GHG reduction through the implementation of those sustainability and energy reduction criteria set forth [in Addendum]. These **criteria will be reviewed annually and revised as necessary** to promote COMPANY's changing sustainability and energy goals.[8] • Work with COMPANY [Energy Manager, IT Lab and Data Center Energy Manager and/or Sustainability Manager] to maintain a **rolling three year energy plan** with quarterly reports tracking the progress toward the goals identified.[9] • COMPANY's intention is to **achieve sustainable and measurable net cost savings while maintaining and improving upon the current asset reliability and quality of service**. To help COMPANY achieve these objectives, CONTRACTOR may implement more efficient methodologies, processes, standards, technologies and work practices, even if these differ from those previously employed, provided they align with COMPANY's business strategies, requirements and standards.[10]

[8] Anonymous SRER Member-Client A and Cushman & Wakefield.
[9] Anonymous SRER Member-Client A and Cushman & Wakefield.
[10] Leonardo Academy.

Define performance-review mechanism, based on key performance indicators (KPIs).	• For targets defined by **annual rates of improvement**, CONTRACTOR will meet or exceed these rates annually and will demonstrate an average improvement equal to or exceeding those rates for each of the two previous years.
	• For **quality and stakeholder satisfaction targets**, CONTRATOR will document progress made toward each goal in the annual reporting scheme.
	• CONTRACTOR is expected to **meet at least [75% | 85% | 95% | # of #] of targets** to receive payment and incentives as defined in [COMPENSATION SECTION]. Failure to meet this threshold will result in penalties.[11]
	• KPIs and targets will cover the following **initiative areas**:
	  o Energy efficiency
	  o Renewable energy sourcing
	  o Greenhouse gas emissions
	  o Water efficiency and recycling
	  o Rate of water discharge
	  o Waste diversion and recycling
	  o Indoor environmental quality
	  o Space utilization
	  o Occupant [employee, tenant, etc.] education, satisfaction and engagement
	  o LEED certification [additionally: Green Globes, BREEAM, etc.]
	  o ENERGY STAR Certification [at a score of 80 or higher]

Include rewards and incentives for outperforming established goals, such as sharing the savings.	• **Savings and revenue generated** from energy use reduction, water use reduction, recycling, and waste reduction will be shared with CONTRACTOR at the rate of X% of total savings, after annual reporting and verification by Energy Manager and Sustainability Manager.[12] • If the overall standard for performance evaluation defined in [SECTION] is exceeded and if each covered FACILITY meets or exceeds its individual quality and customer satisfaction targets, CONTRACTOR's monthly compensation will be based on the CONTRACTOR's **full monthly invoice (including profits) for contracted SERVICES plus an incentive**, adjusted for any COMPANY credits.[13]
Include penalties for significant failure to meet objectives.	• If the overall standard for performance evaluation [defined in Section X] is not achieved, CONTRACTOR's monthly compensation will be based on the CONTRACTOR's **approved operating costs only**, defined as […].[14]

[11] Source: Anonymous SRER Member-Client C, RFP for Food Service Contractors; and SRER Member-Client UGL Services , Interview 6/20/2012.
[12] SR Inc analysis.
[13] Source: Anonymous SRER Member-Client C. RFP for Food Service Contractors, 2011.
[14] Anonymous SRER Member-Client C.

Share costs and savings of implemented energy, water, waste, etc. measures.	• Implement cost saving [energy, water, waste, etc.] projects and processes as approved and prioritized by the COMPANY. • COMPANY agrees to finance any new projects. If savings exceed the targets set in [Section X], COMPANY agrees to share X% of additional savings with CONTRACTOR, after budget verification.[15]

Data Sharing and Collection

A clear process for data collection and data sharing enables progress tracking and increases operational visibility. Companies may additionally benefit from service provider data platforms and their internal expertise in data collection, utilizing the contractual relationship as a means to improve data collection portfolio-wide.

Companies ensure that the FM contract defines access to data and levels of responsibility at different buildings. While companies with sites under a triple-net (NNN) lease in single-tenant properties have complete control and visibility of utility bills, waste management, procurement, and other operational aspects, those with sites with modified gross, gross, full service, or other leases, will need to ensure that the leases allow for appropriate data access and service oversight, or must develop a sustainability memorandum of understanding (MOU) with the owner. See SR Inc's *Sustainable Leasing Strategy: Guidance and Tools*, 2011, for more information on how to integrate sustainability into the lease process and documents.

Table 3. Objectives and sample language for data sharing and collection.

Objective	Sample Language
Establish protocol for data sharing with client.	• CONTRACTOR will [choose appropriate objective(s)]: ○ Provide monthly energy use data, based on property billing structure, to COMPANY. ○ Provide monthly water use data. ○ Provide monthly waste data. ○ Provide monthly GHG emissions data. ○ Provide monthly indoor air quality data. ○ Provide COMPANY with a web-based platform to view performance data and access reports [as appropriate]. ○ Install smart meters for electrical consumption [as appropriate]. ○ Install submeters for electricity for each COMPANY space. ○ Install submeters for chilled water distribution. ○ Install submeters for cooling towers and irrigation.[16]

[15] Leonardo Academy.
[16] SR Inc analysis.

Require prompt data collection and verification.	• **CONTRACTOR** will detail a process for data verification and reliability and ensure that all operations staff follows this process when entering data. • Data that is not available in real-time will be **entered within X days of meter reading** or of data delivery from the utility.[17] • Evaluate the Building Automation System at all FACILITIES specified for their ability to monitor and track utility usage.[18]
Verify utility tariffs (if paid by company).	• Subject to COMPANY approval, systematically **review rate options and utility tariff changes** to verify that COMPANY is operating on the most beneficial tariff available, either directly or through a third-party vendor. • Directly or through a third-party vendor, **review all utility charges**, whether internally generated or through billings, for discrepancies and verify that they are in compliance with the associated rates and tariffs. • CONTRACTOR will **manage the utility bill validation process for all real estate-related utility costs**. Utilities include electricity, natural gas, oil, purchased chilled water, steam, and municipal water and sewer systems.[19]
Require internal benchmarking for comparison within the building or across the portfolio. In the U.S., upload data into ENERGY STAR Portfolio Manager.	• **Benchmark utility usage annually** and prepare analysis that compares usage and costs with comparable companies and facilities. • **Register and benchmark each [office, data center, etc.] asset in EPA's ENERGY STAR Portfolio Manager** and update the account with all metered utility data, including energy and water, on a monthly basis. Provide a copy of the ENERGY STAR Statement of Energy Performance for each building under management in the COMPANY's monthly report financial package. • All **energy and water data will be normalized across the portfolio** for differences in climate and weather, either through ENERGY STAR Portfolio Manager or another system. [20]

[17] Anonymous SRER Member-Client B and CBRE.
[18] Anonymous SRER Member-Client B and CBRE.
[19] Anonymous SRER Member-Client A and Cushman & Wakefield.
[20] Anonymous SRER Member-Client A and Cushman & Wakefield.

Capture and monitor data via enterprise energy and carbon accounting (EECA) software or a similar tool, or implement intelligent building systems (IBS) to automate data collection and analysis.	• [Develop smart meter monitoring systems, implement IBS, etc.] **to measure utility usage in real time** and improve the quality of information received.[21] • [If CONTRACTOR has an effective proprietary tool] CONTRACTOR proposes introduction of **proprietary solution** as a data management tool designed to collect energy, water, waste, and GHG information at managed office portfolio. • [If an outside tool is preferable] CONTRACTOR will support implementation of [outside solution] as a data management tool to collect energy, water, waste, and GHG information at managed office portfolio. • [Optional] The expectation will be to beta test during [year] on CONTRACTOR managed assets and then introduce to remainder of COMPANY's office assets in [year].[22] • CONTRACTOR will **support the selection and implementation processes** for a software and hardware solution to automate energy, water, waste, and GHG data capture and to improve data analysis for building systems at managed office assets.[23]
Ensure that data uploaded to ENERGY STAR Portfolio Manager integrates with proprietary or outside tools. Verify access levels.	• **Weather normalizing based upon the ENERGY STAR system** is standard, but if desired UI can be configured to operate with COMPANY-specific weather data vendors, COMPANY is responsible for additional fees.[24] • CONTRACTOR will present **consistent information accumulated from utility bill data** collected by [proprietary tool], benchmarked through the ENERGY STAR portfolio manager system and transferred to UI for analysis and reporting. • Access to the any [proprietary, outside] website will be set and approved by the account team.[25]

[21] SR Inc analysis.
[22] Anonymous SRER Member-Client A and Cushman & Wakefield.
[23] SR Inc analysis.
[24] Anonymous SRER Member-Client B and CBRE.
[25] Anonymous SRER Member-Client A and Cushman & Wakefield.

Sustainability Ratings

Companies establish targets for certification for managed properties, including certification under leading building rating systems (LEED, BREEAM, etc.) and energy labels (ENERGY STAR, EU Energy Label, NABERS, etc.). Some companies choose to build to a standard but avoid certification costs, integrating requirements within contracts that follow the same structure as these rating systems, but stopping short of requiring certification.

Table 4. Objectives and sample language for sustainability ratings.

Objective	Sample Language
Comply with rating standards or maintain building certification through: • LEED (CI, EB) • Green Globes • BREEAM • Green Star • Estidama • CASBEE • etc.	• **Operate the facility to align with United States Green Building Council (USGBC) Leadership in Energy and Environmental Design** (LEED) [CI | EB] operating standards.[26] • CONTRACTOR will **provide resources as requested to do LEED [CI | EB] compliance audits** on properties with current certification.[27] • Operate the facility to align with required operating standards.
Maintain and improve energy labels.	• Operate the facility to **align with ENERGY STAR operating standards**. Maintain current certification and implement continuous improvement strategies to obtain a higher score.[28] • Operate the facility to **align with [grade B or better energy label | NABERS 4-star or better | etc.] operating standards**. Maintain current Certifications and implement continuous improvement strategies to obtain a higher score.[29]
Participate in voluntary energy and climate action competitions and programs, such as: • LEED EBOM • ENERGY STAR Partnership • Earth Hour • DOE's Better Building Challenge • Architecture 2030	• CONTRACTOR will assist COMPANY with **data collection and reporting to participate in [program name]**.

[26] Anonymous SRER Member-Client A and Cushman & Wakefield.
[27] Anonymous SRER Member-Client B and CBRE.
[28] Anonymous SRER Member-Client B and CBRE.
[29] Anonymous SRER Member-Client B and CBRE, SR Inc analysis.

Sustainable Sites

Companies require exterior site management via specific environmental policies, targeting improvements in landscaping, stormwater, urban heat island effect, light pollution, and other areas.

Table 5. Objectives and sample language for sustainable sites.

Objective	Sample Language
Reduce environmental harm from construction, building operations, and decommissioning.	• CONTRACTOR will **comply with all applicable national, state and local regulations** to limit environmental risk and mitigate environmental damage. • CONTRACTOR will **present an annual report of environmental impact**, detailing construction or renovation impacts, operational impacts, and steps taken or planned to mitigate harm.[30]

Establish specific environmental outcomes.	• CONTRACTOR will operate the FACILITIES to maintain the following levels of environmental performance:
	  o **No environmental incidents** (i.e., actions not resulting in AHJ notice of violation) arising from CONTRACTOR activities.
	  o **No environmental violation notices** (i.e., actions resulting in AHJ notice of violation) arising from CONTRACTOR activities .
	  o **No unapproved or improperly registered chemicals** stored, used, or disposed at any site.[31]
	• CONTRACTOR will **support the integrated pest management program** as appropriate through landscaping management methods, including but not limited to reduction of harborage areas, clearance areas around buildings, and debris clean-up in landscaped areas.[32]

Implement responsible landscaping best practices.	• As part of the annual budget process, CONTRACTOR will evaluate measures to implement best practices in responsible landscaping, with costs, payback, and potential benefits from each project. Best practices may include:
	  o Composting landscaping waste.
	  o Using environmentally preferable de-icing chemicals for snow/ice removal.
	  o Using responsible irrigation techniques (drip irrigation, smart controllers, weather, time).
	  o Using alternative water sources for irrigation or cleaning outside areas (grey water, rain collection).
	  o Increasing access to on-site gardens.[33]

[30] SR Inc analysis.
[31] Leonardo Academy.
[32] UGL Services.
[33] SR Inc analysis.

Implement stormwater management best practices.	• As part of the annual budget process, CONTRACTOR will evaluate measures to implement best practices in stormwater management, with costs, payback, and potential benefits from each project. Best practices may include: ○ Green roofs and walls. ○ Bioswales. ○ Blue roofs. ○ Porous pavement areas. ○ Native and drought-tolerant landscaping. ○ 25% of site landscaped. ○ Erosion and sedimentation control.[34]
Implement best practices to limit urban heat island effect.	• As part of the annual budget process, CONTRACTOR will evaluate measures to limit the urban heat island effect, with costs, payback, and potential benefits from each project. Best practices may include: ○ Green roofs. ○ Pervious pavement with planting. ○ Landscaped parking islands. ○ Shaded hardscape ○ Light reflective services. ○ Etc.[35]
Implement best practices to reduce light pollution.	• As part of the annual budget process, CONTRACTOR will evaluate measures to reduce light pollution, with costs, payback, and potential benefits from each project. Best practices may include: ○ Interior and exterior light shielding. ○ Using low-intensity lighting sources. ○ Limiting nighttime exterior lighting.[36]

[34] SR Inc analysis.
[35] SR Inc analysis.
[36] SR Inc analysis.

Water Efficiency

Companies target improved indoor water efficiency, particularly through fixture replacements and improved water treatment and recycling. Companies may choose to include upgrades by default (such as replacement of all fixtures) or to include shared savings and other incentives for project proposals.

Table 6. Objectives and sample language for water efficiency measures.

Objective	Sample Language
Require a water use audit. Define who bears financial responsibility for the audit.	• Perform an audit of the water usage at [all locations specified below]. Compare usage **per square foot** to similar properties and identify opportunities for improvement.[37] • [CLIENT, CONTRACTOR] agrees to [reimburse, undertake] costs of waste stream audit.[38]
Include provisions for reduced water use and installation of water-efficient equipment.	• Implement **interior water reduction measures** including installation of water restrictive and low-flow devices that will be monitored and calibrated.[39] • Implement **cooling tower blowdown reduction measures**, including proven technologies, alternative chemicals, or substitutes for chemical treatment. • Evaluate opportunities for water recycling for flushing and other appropriate uses at each FACILITY.[40]

Implement best practices for indoor water efficiency.	• As part of the annual budget process, CONTRACTOR will evaluate measures to implement best practices in water efficiency, with costs, payback, and potential benefits from each project. Best practices may include:
	  o Water-efficient bathroom fixtures (low-flow, waterless).
	  o Greywater and/or municipal reuse water systems.
	  o On-site blackwater treatment.[41]

[37] Leonardo Academy.
[38] Leonardo Academy.
[39] Anonymous SRER Member-Client B and CBRE.
[40] SR Inc analysis.
[41] SR Inc analysis.

Energy and Atmosphere

Companies target both greater energy efficiency within facilities and reduced energy costs through the service provider contract.

Table 7. Objectives and sample language for energy efficiency measures.

Objective	Sample Language
Require an energy audit (ASHRAE Level II audits are recommended). Define who bears financial responsibility for the audit.	• Perform an ASHRAE Level II audit of the energy usage at [all locations specified below]. Compare usage **per square foot** to similar properties and identify opportunities for improvement.[42] • [CLIENT, CONTRACTOR] agrees to [reimburse, undertake] costs of waste stream audit.[43]

Provide recommendations on a menu of ECMs, based on benchmarking, forecasted ROI, and other metrics.
 	
For a comprehensive list of leading ECMs and projected paybacks in multiple regions, see SRER Member Briefing *Regional Cost Variation of Eleven Top Energy Conservation Measures (ECMs)*, 2012 as well as SR Inc's list of ECMs for leased space, and model energy management plan.
	• Research and evaluate costs and payback, and recommend opportunities to improve efficiency where projected return on investment meets or exceeds targets.
	• Prior to each annual budget process, submit energy conservation measures for consideration to COMPANY [Regional Facilities Manager, Energy Manager, Sustainability Manager, etc.].[44]
	• As part of the annual budget process, CONTRACTOR will evaluate measures to implement best practices in water efficiency, with costs, payback, and potential benefits from each project. ECMs may include:
	  o Zoned temperature controls.
	  o Energy efficient lighting (high efficiency bulbs, automatic lighting timers, motion detectors, daylight/task lighting, etc.).
	  o Refrigerant management (no chlorofluorocarbon (CFC)-based refrigerants in HVAC, etc.).
	  o Special contract purchases of renewable energy or provision for tenants to purchase renewable energy.
	  o On-site generation of renewable energy (wind, solar, geothermal, etc.).
	  o Installation of cogeneration plants.
	  o Upgrades to the BAS or installation of an intelligent building system (IBS).
	  o ASHRAE Level II Energy Audit.
	  o Commissioning every 3 years.
	  o Exceed municipal codes for building envelope (insulation, glazing).[45]

Support implementation of chosen ECMs.	• Manage approved energy conservation projects ensuring all projects are on schedule and consistent with the scope of work, estimated benefits, and approved budget.[46]

[42] Leonardo Academy.
[43] Leonardo Academy.
[44] Anonymous SRER Member-Client A and Cushman & Wakefield.
[45] SR Inc analysis.
[46] Anonymous SRER Member-Client B and CBRE.

Reduce off-peak energy consumption and participate in demand response.	• CONTRACTOR will develop and implement operational programs which curtail energy consumption during night, weekend and holiday periods.[47] • CONTRACTOR will evaluate opportunities for participation in local demand response programs and will make recommendations on FACILITIES to consider for participation. • Upon approval of demand response FACILITIES, CONTRACTOR will operate selected FACILITIES to meet or exceed participation requirements.[48]
Analyze opportunities for load shedding, utility rebates, etc.	• Where served under rates based in time of use, **develop and recommend load shedding programs** that curtail energy consumption during peak demand periods.[49] • Research any opportunities for rebates or other incentives offered by utilities or other agencies that may offset capital improvement costs.[50]

[47] Anonymous SRER Member-Client A and Cushman & Wakefield.
[48] SR Inc analysis.
[49] Anonymous SRER Member-Client A and Cushman & Wakefield.
[50] Leonardo Academy.

Materials and Resources

Companies work with service providers, janitorial contractors and others to increase waste diversion through recycling and composting and to identify opportunities for waste reduction. Service providers may also manage the contracting process for waste service providers, identifying opportunities for cost savings or additional income.

Table 8. Objectives and sample language for materials and resources measures.

Objective	Sample Language
Require a waste stream audit. Define who bears financial responsibility for the audit.	• Perform an audit of the waste stream at [all locations specified below]. Compare waste load and diversion rate **per square foot** to similar properties and identify opportunities for improvement.[51] • .[CLIENT, CONTRACTOR] agrees to undertake costs of waste stream audit.[52]
Institute provisions for recycling, including target materials to recycle: • Paper & cardboard • Glass • Metals • Construction waste • E-waste • Organics	• Develop and implement a recycling program, subject to COMPANY approval, incorporating paper, cardboard, glass, aluminum products and construction waste and report outcomes. • CONTRACTOR will implement specific plans for waste management and material recovery during facility alterations and additions.[53] • CONTRACTOR will pursue opportunities to derive income for COMPANY from properly processed waste and recycled materials, including from waste-to-energy.
Implement operational best practices for responsible procurement.	• CONTRACTOR will report annually on sustainable procurement of materials and products, and will work diligently with suppliers to reduce GHG emissions.[54] • CONTRACTOR will implement best practices for responsible procurement at all FACILITIES: o Portfolio-wide sustainable purchasing program for ongoing consumable items (paper, toner cartridges, binders, etc.). o Portfolio-wide sustainable purchasing program for electric-powered equipment and furniture. o Reduction of mercury levels in lamps.[55]
Implement operational best practices for food service management.	• CONTRACTOR will implement best practices for food service management at all FACILITIES: o Sustainable food purchasing (organic, fair trade, locally-sourced). o Composting or recycling organic waste o Separation and storage of used grease and oil for resale to a biodiesel producer.

[51] Leonardo Academy.
[52] Leonardo Academy.
[53] SR Inc analysis.
[54] Leonardo Academy.
[55] SR Inc analysis.

Indoor Environmental Quality (IEQ)

Companies target IEQ improvements both through measures to improve (e.g. low-VOC finishes and cleaning materials, improved air circulation, etc.) and to improve the design of the workplace environment.

Table 9. Objectives and sample language for indoor environmental quality measures.

Objective	Sample Language
Operate facilities to align with IAQ best practices.	• CONTRACTOR shall: ○ Implement an indoor air quality program for facility additions or alterations. ○ Implement an indoor air management program for operations and maintenance. ○ Implement a no-smoking policy inside the building and within 25 feet of the building entrance(s), windows and air intakes. ○ Monitor outdoor air delivery. ○ Increase ventilation (e.g. 30% greater than ASHRAE 62.1), including natural ventilation. ○ Implement systems to reduce particulates (e.g. filters). ○ Implement preventative maintenance practices for cafeteria grease traps, including the use of oil/water separators.[56]
Ensure the implementation of more sustainable cleaning protocols.	• CONTRACTOR will ensure that all cleaning products, paints, carpets, and finishes are approved under the [Green Seal | Design for the Environment | other] rating system and comply with LEED requirements.[57] • All paints, finishes, and carpeting used for common space improvements shall be certified as low-VOC by the U.S. EPA.[58] • CONTRACTOR shall: ○ Maintain a current list of pre-approved cleaning agents and other janitorial supplies, including related material safety data sheet (MSDS) information as appropriate. ○ Implement and manage a restroom cleaning verification process that documents tasks and frequencies of services provided on an ongoing basis. In addition, a method for capturing data is an electronic data management tool that provides real-time cleaning information would be preferred.[59]

[56] SR Inc analysis.
[57] Leonardo Academy.
[58] SR Inc analysis.
[59] UGL Services.

Establish standards to reduce volatile organic compounds (VOCs) and meet appropriate standards.	• CONTRACTOR will recommend measures to reduce VOCs within facilities and will provide comprehensive tests of all interior spaces on a [monthly | quarterly | yearly] basis.[60] • CONTRACTOR will ensure that all FACILITY areas exceed EPA's National Ambient Indoor Air Quality Standards as well as [ASHRAE 62.1, ISO, etc.] requirements.[61] • CONTRACTOR will operate the building's HVAC system in compliance with ANSI/ASHRAE Standard 55-2004 (Thermal Environmental Conditions for Human Occupancy) or similar local, regional, or country standards.

Building Management and Tenant Support

Companies work with leading service providers to engage employees and building occupants in achieving sustainability goals and targets. Many service providers have existing programs for employee engagement, which may include communications, sponsored events, joint sustainability committees, and tenant improvement manuals.

Table 10. Objectives and sample language for employee engagement measures.

Objective	Sample Language
Establish regular communication with COMPANY employees.	• Develop occupant communications for periodic distribution that suggest ways [Program and Support] employees can participate in the overall objective to contain energy consumption and costs.[62]
Support regular employee sustainability events, particularly around major annual events (Earth Hour, Earth Day, etc.).	• Actively participate in Earth Hour, Earth Day and other CLIENT-approved environmental awareness campaigns.[63]
Enable employee access to data tools, per employee engagement policies.	• Within one year of contract implementation, CONTRACTOR will provide a simplified portal through which COMPANY employees may track performance on energy, water, waste, GHG emissions, [and other] metrics.[64] • CONTRACTOR will evaluate additional software or technology tools to increase COMPANY employee awareness of sustainability measures and provide recommendations on an ongoing basis.[65]

60 Leonardo Academy.
61 SR Inc analysis.
62 Anonymous SRER Member-Client A and Cushman & Wakefield.
63 SR Inc analysis.
64 Anonymous SRER Member-Client B and CBRE.
65 SR Inc analysis.

Vendor Profiles

Most facility or property management service providers today offer a menu of programs to support real estate sustainability and high performance buildings. SR Inc interviewed six service providers and found that these vendors have, in the past 2-3 years, expanded their sustainable facility management services, staffing them with LEED Accredited Professionals (AP), energy managers, and experts in efficient building systems.

The vendor summaries below describe the relevant offerings of each vendor, and itemize unique offerings from each vendor. Where appropriate, descriptions are enhanced with information from SRER Member Clients. SR, Inc. is strictly vendor-neutral and our selection of these vendors for detailed analysis does not in any way indicate our endorsement of their services. This analysis is solely of an advisory nature, intended to guide executives in the identification of appropriate more sustainable FM services.

Cassidy & Turley

SRER Member-Client Cassidy & Turley is a national commercial real estate services company, with over 3,200 professionals operating in 60 locations across the US. Formed in 2010 by the merger of four smaller service companies, Cassidy and Turley manages over 455 million square feet on behalf of corporate, institutional and private clients and supports more than 28,000 domestic corporate services locations. The company's menu of service offerings for owners, investors, and occupiers includes: tenant representation, project leasing, capital markets, corporate services, property management, project and development services, and research and consulting.[66]

Motivation

According to Evan Tyroler, Vice President and Principal, "Cassidy & Turley serves as a proactive facility management company. We go in and as part of our FM or PM process, identify strategic solutions for our clients, and provide support to implement those solutions." The firm's FM staff will offer to conduct energy and LEED assessments of every property it manages, in the initial setup process and on a continual basis, and provide recommendations based on areas for long-term improvement in building operations. The assessment is only a first step, however, and staff are encouraged to take a holistic approach to building operations over the life of a contract.

At the corporate level, Cassidy & Turley has a significant commitment to sustainability, with numerous LEED APs and ENERGY STAR experts on staff. The company actively pursues LEED accreditation within its own facilities as well, with five of its own facilities certified under the LEED-CI rating system.

[66] http://cassidyturley.com/about-us/history

Summary of Sustainability Offerings

Cassidy & Turley's sustainability offerings include[67]:

- **Green building certification**. Cassidy & Turley managers and consultants have worked with many of its clients to pursue LEED and ENERGY STAR certification. As an active member of the US Green Building Council (USGBC), Cassidy & Turley stays up to date on all developments in the LEED program.
- **Energy strategy development**. The firm has significant experience in working with clients to reduce energy consumption at their facilities—through lighting retrofits and other upgrades—and to manage energy procurement and strategy. Cassidy & Turley maintains expertise in managing distributed energy procurement in deregulated markets, especially for retail clients with national operations.
- **Waste stream audits**. As part of the initial assessment with new clients or new properties, Cassidy & Turley's managers will often undertake a waste stream audit at the local or portfolio level. This audit will recommend specific areas for improvement through waste reduction, updated recycling contracts, and other solutions.
- **Indoor air quality (IAQ) and cleaning audits**. The firm has worked with many clients to regularly assess IAQ within properties and recommend areas for improvement, and to audit the operations of cleaning service providers to reduce the use of harmful chemicals.
- **Water reduction**. Cassidy & Turley works with tenants to optimize water use in facilities, depending on location and potential for savings.

Key Contract Provisions

Cassidy & Turley takes a client-driven approach to sustainability and works with each client to improve operations throughout the portfolio on an ongoing basis. Its approach is designed to provide guidance and recommendations to all clients, but to undertake only those efforts that its clients deem appropriate.

The firm regularly arranges shared-savings opportunities when suggesting improvements to properties, but these are rarely included in the contracting process. Cassidy & Turley has as yet found the inclusion of specific sustainability goals and targets to be rare in FM contracts.

CB Richard Ellis (CBRE)

CB Richard Ellis (CBRE) is a global commercial real estate services company, with over 34,000 employees in national and international 300 locations. CBRE manages over 2.9 billion square feet of commercial properties and corporate facilities, has over $5.9 billion in revenue in 2011, and is the only commercial real estate services company in the Fortune 500. Its service offerings for owners, investors, and commercial users include: tenant representation, project leasing, loan origination and servicing, facility and property management, project management, development services, investment management, and research and advisory services.[68]

---

[67] Interview with Evan Tyroler, April 3, 2012.

[68] http://www.cbre.us/AssetLibrary/mediakit_US.pdf

Motivation

CBRE offers clients an integrated platform of energy and sustainability services as a means of meeting its own corporate sustainability goals as well as helping clients improve their portfolio-wide performance. CBRE has been an ENERGY STAR partner and has worked closely with the EPA to test standards for building performance. It is also an active member of USGBC and maintains expertise on LEED among its staff. CBRE regularly publishes research on best practices and business data related to more sustainable real estate and has publicly released a tool to calculate any individual's carbon footprint. The company sees its leadership status in sustainable real estate as a crucial operating principle and good business practice, benefitting both its own financial and environmental performance and that of its clients.

Summary of Sustainability Offerings

CBRE's integrated approach to sustainability covers five program areas:

1. **Energy and GHG management**. CBRE's *UtilityInsight* tool is available to all clients for "management of utilities to identify, prioritize and implement projects that achieve sustainable savings across an entire portfolio."[69] CBRE's managed services incorporate this tool to capture utility data and develop a program of energy management, from program planning, target setting, and data capture (for Scope 1, 2 and 3 emissions) to performance reporting and education and awareness programs.
2. **Green building certification**. CBRE has helped many clients reach LEED certification and make improvements to improve the ENERGY STAR score. Many of its LEED EB and LEED NC projects have reached Silver or greater performance levels.
3. **Transaction services**. The company helps owners and occupiers assess their portfolio-wide real estate goals and implement strategic changes to transaction documents, including leases and service contracts, to integrate sustainability into every phase of the building life-cycle.
4. **Valuation**. CBRE's green building valuation team offers clients deep experience in identifying green building elements and determining how these impact a property's value. Services include cost benefit analyses, market and feasibility analysis, rent estimates, lease analyses, mortgage valuation, and arbitration and consultation.
5. **Research and consulting**. CBRE collaborates with leading academics and industry partners to explore sustainability as a value proposition and to make new information available in a way that benefits the commercial real estate market. It publishes an annual report on the green building market to coincide with USGBC's Greenbuild and hosts regular webinars examining relevant green building issues and market changes.

[69] http://www.cbre.us/services/sustainability/Pages/home.aspx

Key Contract Provisions

SRER Member-Client Clarion Partners has worked with CBRE to implement a performance-based service contract for global sustainability and energy operations. The contract primarily covers data management around energy performance, standards for operating performance in energy, benchmarking requirements, and the maintenance of LEED EB certification at relevant properties. The contract is intended to be a “living document,” with modification and updates on an ongoing basis. Performance standards are in development and will be integrated into the general service contract for all CBRE-managed properties in 2012.[70]

Cushman & Wakefield (C&W)

Cushman & Wakefield is a global real estate services firm with over 13,000 employees operating in 231 offices in 58 countries around the world. C&W was founded in 1917 in New York City, the company has grown in its 95-year history to include a wide range of services. C&W assists clients in every stage of the real estate process, representing them in the buying, selling, financing, leasing, managing and valuing of assets, and providing strategic planning and research, portfolio analysis, site selection and space location, among many other advisory services.[71]

Motivation

Cushman & Wakefield has promoted sustainable operations across the real estate market for at least five years, with its offerings increasingly becoming a competitive necessity when attracting clients. It was the first real estate company to sign a Memorandum of Understanding (MOU) with the US Environmental Protection Agency (EPA) to actively promote best practices and share these practices industry-wide. Its office guidelines and sustainability offerings have become a key reputational advantage for the company, today serving as critical to its operating principles and culture.

Summary of Sustainability Offerings

Cushman & Wakefield’s offerings include the following[72]:

- **Property and asset management strategies**
  - Sustainability assessments and strategy advising
  - Energy and natural resource benchmarking and tracking
  - Regulatory compliance
  - Energy management strategies
  - Building certification guidance and consulting

---

[70] CB Richard Ellis. “Global Energy & Sustainability: Services Overview.” Presented to Anonymous SRER Member-Client B. November 18, 2011.

[71] http://www.cushwake.com/cwglobal/jsp/aboutUsDetails.jsp?aboutUsId=ABOUTUS&Country=GLOBAL&Language=EN

[72] http://www.cushwake.com/cwglobal/jsp/aboutUsDetails.jsp?aboutUsId=c3000001p&Country=GLOBAL&Language=EN

- **Project management**
    - Green construction
    - Space and system optimization
    - Building certification
- **Transaction and leasing**
    - Facility and property sustainability assessment
    - Green building landlord and tenant representation
    - Green lease advising
- **Valuation & advisory**
    - Asset valuation
    - Asset value enhancement advising
    - Sustainability retrofit and capital investment consulting
    - Market assessment studies

Key Contract Provisions

Cushman & Wakefield has worked with a SRER Member-Client to develop energy management and sustainability measures at all of its managed facilities. The draft contract with C&W includes 24 key clauses that outline objectives for the sustainability program, as well as a list of key service outcomes that will serve as a basis for contract evaluation, renewal, and cost sharing provisions.

Grubb and Ellis

Grubb & Ellis Company is one of the largest U.S. commercial real estate services firms, providing transaction services, property management, facilities management and valuation services through more than 100 company-owned and affiliate offices. Their 4,300 professionals draw from a platform of services and practice groups to deliver integrated solutions to real estate owners, tenants and investors, supported by proprietary market research and local expertise. In 2011, Grubb & Ellis completed approximately 12,000 sale and lease transactions and the company and its affiliates currently manage more than 250 million square feet of property.[73]

Motivation

According to Robert Bridges, VP, Director of Managed Services, Grubb & Ellis focuses on sustainability because it benefits the client. “Our incentive is simple: to further enhance our offering platform to our clients,” shares Bridges. In that regard, Grubb & Ellis’ four strongest motivations for incorporating sustainability include:

- Maintaining its competitive position
- Staying ahead of the curve on knowledge and expertise
- Attracting additional clients
- Practicing good business

[73] http://www.grubb-ellis.com/Company/AboutUs.aspx?m=2

Grubb & Ellis starts with easier programs and works to encourage its clients to consider sustainability, in line with the corporate policies and culture of the client. "We take them down the road to sustainability and get them involved in the first year, so in the client's mind they get involved in the first efforts. This way, more expensive projects, like LEED certification, are easier to discuss later on when you need to spend money to get results." shares Bridges.

Summary of Sustainability Offerings

Grubb & Ellis offers a comprehensive platform, its "Roadmap to Sustainability," at no additional cost to clients. The roadmap includes a menu of measures that staff work with clients to implement, based on client preferences, at single sites or throughout a portfolio. These measures include[74]:

- **Procurement**. Grubb & Ellis will work with clients and commercial tenants to incorporate sustainable procurement practices and source office products from certified vendors, reducing the environmental impact of the supply chain.
- **Energy and water reduction**. The company works with most clients to incorporate energy- and water-saving measures within its managed buildings, particularly targeting "low-hanging fruit" with high ROI such as high-efficiency light bulbs and low-flow water fixtures.
- **Sustainability policies and procedures**. Grubb & Ellis works with clients to develop portfolio-wide policies and procedures for sustainability, including setting targets and goals and benchmarking performance internally and externally.
- **Scopes and specs for sustainability programs**. Grubb & Ellis has expertise consulting with clients and aiding with the move toward LEED certification and other reporting and labeling programs. For an additional cost, Grubb & Ellis will manage the certification process.
- **Operating policies & procedures**. The company has developed sustainability-focused operating policies and procedures—e.g., later startup times and peak demand management—to reduce costs for its clients. In some cases, this extends to managing building Green Teams and tenant education programs.
- **Targets and standards**. When implementing the "Roadmap to Sustainability," Grubb & Ellis sets initial targets and standards for performance of its own efforts, which may include target energy reduction rates, ENERGY STAR scores, waste diversion rates, and more.

Contract Offerings

To date, Grubb & Ellis has not included provisions to share savings in its client contracts, although it regularly includes performance standards on sustainability initiatives within contracts—especially performance on energy targets. Only about 25-50% of Grubb & Ellis' prospective clients express interest in the "Roadmap to Sustainability," even as a free offering, so the company has not pursued shared savings as a potential source of revenue. It is open to including performance goals and targets within contracts, however, and encourages clients to discuss opportunities.

[74] Interview with Robert Bridges, 2/10/2012

Jones Lang LaSalle (JLL)

Jones Lang LaSalle (JLL) is a financial and professional services firm specializing in real estate services and investment management. The company's more than 40,000 professionals in 1,000 locations in 70 countries serve the local, regional and global real estate needs of a wide array of clients. In response to changing client expectations and market conditions, JLL assembles teams of experts who deliver integrated services built on market insight and foresight, sound research and relevant market knowledge. JLL offers services such as asset leasing, investment management, facility and property management, project and development services, and tenant representation.[75]

Motivation

JLL's efforts in sustainability are driven both by client demand and its corporate focus on increasing efficiency throughout its real estate operations. According to Michael Jordan, SVP of Sustainability Strategy, "[Sustainability] certainly is a selling point because these days clients expect to have a certain amount of eco-efficiency in their properties." Many RE executives that work with JLL have advanced beyond the simple efficiency measures, though, and need more advanced and targeted initiatives. JLL works with these leaders to advance their companies in environmental performance and sustainability, building increasing subject-matter expertise among its staff and targeting pinpointed programs for all interested clients.

Summary of Sustainability Offerings

JLL has a three-part approach to sustainability offerings for its clients: **green building services**, which are targeted to corporate occupiers (LEED-CI, fit-out design, etc.); **managed services**, such as outsourced contracts for energy and waste management, which JLL oversees on behalf of its clients; and **management consulting**, providing guidance on strategy planning, portfolio sustainability, energy sourcing, employee engagement, and other measures.

Within the green building or managed service contract, JLL's offerings include:

- Energy management and cost reduction
- Water use reduction
- Waste diversion and recycling
- Supply chain management
- LEED, ENERGY STAR, BREEAM, and other certifications
- Carbon accounting and GHG benchmarking
- Training and awareness programs

Key Contract Provisions

Like other service providers, JLL has seen very few contracts that feature provisions for sustainability performance aside from energy performance, which is increasingly a performance standard. Most commonly, though, energy performance is spelled out in a separate "energy management agreement," which serves much like an MOU to meet energy reduction goals. JLL executives are open to including performance on LEED and other standards as well as waste, water, IEQ, and other initiatives in contracts.

[75] http://www.joneslanglasalle.com/Pages/AboutUs.aspx

One area where JLL is actively exploring improvement is in sub-contracting, particularly in ensuring environmentally preferable purchasing criteria are met.

UGL Services

SRER Member-Client UGL Services, a division of Australian company UGL Limited, is a comprehensive real estate services and facility management firm. The company's has offices in 60 locations in the U.S., Canada, and Mexico, providing individual or bundled services in real estate, facilities management, cleaning, landscaping, space planning and equipment maintenance. UGL Services has developed an integrated menu of sustainability solutions within each of its service offerings, beginning with its GreenClean janitorial service in 2008. As the demand for sustainability offerings grows among its clients, UGL is increasing both its internal expertise and the scope of its sustainability solutions, adding energy management services, building commissioning, and environmentally sound landscaping services.[76]

Motivation

UGL Services sees its series of sustainability offerings as an important strategic advantage both in attracting new clients and in serving its existing clients. The company emphasizes first and foremost internal strategies for self-performance, finding value in encouraging and expecting high performance and innovation from its staff on the ground. It achieves this high level of performance through rewards and incentives for substantial cost savings or process improvements, as well as its internal Process Improvement Opportunity checklist. The checklist provides a concrete framework and process for employees who suggest areas for improvement, incorporating calculated cost savings and data reporting to facilitate business decision-making. In the contracting process, UGL feels that its strongest client partnerships are built upon shared goals and shared responsibility for improving building performance built upon this on-the-ground performance.

Summary of Sustainability Offerings

As mentioned above, UGL Services' offerings in sustainability began with its cleaning and indoor air quality program, **GreenCleaning**. Most recently, UGL has increased internal expertise to provide consulting services and decision-support in **green building certification**, **energy management**, **benchmarking and data management**, and **space planning**.

Within contracts for multiple service areas, UGL's offerings may include:

- Green cleaning (in partnership with Johnson Diversey)
- Indoor air quality studies and VOC reduction
- Energy conservation upgrades
- Energy sourcing support
- Water use reduction
- Waste diversion and recycling

[76] http://www.uglservices-na.com/about-us/who-we-are/index.asp

- Supply chain management
- LEED and ENERGY STAR certification
- Carbon accounting and GHG benchmarking
- Space optimization and long-term planning

Key Contract Provisions

UGL Services has seen few contracts that feature performance-based clauses for sustainability performance but notes that its largest clients are increasingly seeking contract improvements. Some newer RFPs and the resulting contracts include built-in incentives based on three features:

1. **Specific KPIs or metrics by service line**, with targets described for each KPI. Performance is usually tied not to individual KPIs or metrics but to a comprehensive set of results. Scores are averaged across all areas.
2. **Fee-at-risk** clauses that include penalties for under-performance and bonuses when targets and performance goals are exceeded.
3. In limited cases, clients will offer **shared savings** opportunities, particularly when considering significant infrastructure or equipment investments to improve operational efficiency.

UGL has noticed increasing similarities in performance metrics across clients, particularly with the growth of outside contracting service companies (e.g. UMS Advisory, Agile Oak, etc.). UGL can incorporate services from any service line within performance contract structures.

Appendix A. Sustainable Facilities RFP

Appendix A provides a template RFP document for use in comparing and procuring an FM service provider with expertise in key sustainability practice areas. This document is based on sample RFPs from two sources: Anonymous SRER Member-Client C's RFP for a Food Service Provider, 2011, and a sample RFP from Leonardo Academy's Model Procurement and Contracting Documents for Green Performance Contracting*, 2007. SR Inc has added additional language where appropriate, to align with the initiatives, goals and targets outlined in the guidance section above*.

As in the guidance section above, the following placeholders are used in the text:

- COMPANY: the company requesting or contracting for services.
- CONTRACTOR: the FM or related service provider.
- FACILITY(-IES): the facility or facilities included within the scope of work (SOW).
- Language that must be adjusted to meet specific company requirements is denoted by square brackets ("[ ]").

The full RFP template is available in editable form in the Phase 3 folder of the Global Guidebook for Sustainable Real Estate.

Appendix B: Sustainable Facilities RFQ

Appendix B provides a template RFQ document and evaluation checklist for use in comparing and evaluating FM service providers, based on expertise in key sustainability practice areas. This document is based on SR Inc's Global Guidebook for Sustainable Real Estate, 2012, *and a sample RFQ document from Leonardo Academy's* Model Procurement and Contracting Documents for Green Performance Contracting*, 2007. SR Inc has provided additional language, where appropriate, to align with the initiatives, goals and targets outlined in the guidance section above*.

As in the sections above, the following placeholders are used in the text:

- COMPANY: the company requesting or contracting for services.
- CONTRACTOR: the FM or related service provider.
- FACILITY(-IES): the facility or facilities included within the scope of work (SOW).
- Language that must be adjusted to meet specific company requirements is denoted by square brackets ("[ ]").

The full RFP template is available in editable form in the Phase 3 folder of the Global Guidebook for Sustainable Real Estate.

Appendix C: Sample Contract Template

Appendix C provides a template contract document for use when implementing an FM service agreement with a chosen provider, integrating key sustainability aspects. This document uses language from sample contracts. The structure and primary language is sourced from a sample agreement between Anonymous SRER Member-Client D (a service provider) and one of its clients. Additional sustainability language and performance-based clauses are drawn from Anonymous SRER Member-Client A's Preliminary Facility Management Contract *with its service provider Cushman & Wakefield, 2012; Anonymous SRER Member-Client B's* Services Overview*, 2011; and a sample contract from Leonardo Academy's* Model Procurement and Contracting Documents for Green Performance Contracting*, 2007. SR Inc has added additional language where appropriate, to align with the initiatives, goals and targets outlined in the guidance section above*.

As in the guidance section, the following placeholders are used in the text:

- COMPANY: the company requesting or contracting for services.
- CONTRACTOR: the FM or related service provider.
- FACILITY(-IES): the facility or facilities included within the scope of work (SOW).
- Language that must be adjusted to meet specific company requirements is denoted by square brackets ("[ ]").

The full contract template is available in editable form in as a separate file within the FM Contracting folder.

Appendix D: Sample Schedule of Payment

The following is a sample description of the pricing and compensation structure used to support a performance-based sustainability contract. This full sample document is provided courtesy of SRER Member-Client UGL Services.

Pricing & Compensation

1. **Management Fee**

The management fee ("Management Fee") payable to CONTRACTOR in each calendar year shall be divided between the two categories identified below as determined by the Budgets (defined below):

(i) "Base Management Fee" is the management base fee (not placed at risk) set out which will be invoiced by CONTRACTOR to COMPANY in 12 equal monthly installments, each payable in accordance with Exhibit H, commencing as of the Ongoing Services Commencement Date.

(ii) "Variable Compensation" is the management fee at risk against performance as which is payable in full to CONTRACTOR in the event that each Key Performance Indicator identified in Exhibit B has been met. The percentage of Variable Compensation payable to CONTRACTOR shall be calculated at the end of each calendar quarter by COMPANY in accordance with the formula set out in Exhibit B. COMPANY shall then advise CONTRACTOR of the Key Performance Indicator scoring against the Targets and the resulting amount of Variable

Compensation payable from COMPANY to CONTRACTOR for that calendar quarter, which payment shall be pro-rated for the first and last quarters if these are less than a three month period. CONTRACTOR can then issue an invoice to COMPANY in respect of such Variable Compensation which is payable in accordance with Exhibit H.

The Management Fee for any calendar year beyond the first three calendar years shall be agreed upon by COMPANY and CONTRACTOR and not exceed the Management Fee for the previous calendar year so long as the then-current scope of Services is consistent with the scope of Services from the previous calendar year.

Changes in the nature or volume of the Services will be evaluated for the impact, if any, on the Management Fee at the time of the proposed Change. The Parties may agree to Changes in the Management Fee in the event of such Changes.

2. Start-Up Services Fee

Fees payable by COMPANY to CONTRACTOR in respect of the Start-Up Services shall not exceed $(TBD) and shall be invoiced by CONTRACTOR following the satisfactory completion of said Start-Up Services (the "Start-Up Services Fee").

3. Budgets

For each calendar year, COMPANY and CONTRACTOR shall agree upon a budget of the Management Fee and costs and expenses to be incurred by CONTRACTOR in providing the Services during such calendar year (each, a "Budget," and collectively, the "Budgets"). Budgets that have been agreed to by COMPANY and CONTRACTOR for each of the three (3) calendar years during the Term are attached hereto as Exhibit E-2, Exhibit E-3 and Exhibit E-4 respectively. Budgets for any subsequent calendar year shall be agreed to by the Parties in accordance with this Exhibit E.

The Budget for any calendar year shall be reduced by the amount of Total Qualified Savings or Reduced Qualified Savings (as each such term is defined below) earned by CONTRACTOR in the immediately preceding calendar year. However, in no case shall the Budget for any of the first three (3) calendar years exceed the amount specified on the applicable Budget for such calendar year attached hereto (as Exhibit E-2, Exhibit E-3 and Exhibit E-4, as applicable) so long as the then-current scope of Services is consistent with the scope of Services on which the Budget was based.

The Budget for the first (1st) calendar year is attached hereto as Exhibit E-2. A projection of monthly spending for the first (1st) calendar year shall be included with the first quarterly Budget report provided pursuant to this paragraph due 120 days after the Ongoing Services Commencement Date. Thereafter, CONTRACTOR shall provide a projection of the monthly spending for each Budget within thirty days of the beginning of each applicable calendar year. CONTRACTOR shall provide COMPANY with quarterly reporting of CONTRACTOR's performance against Budget. Such reporting shall consider all Pass-through Expenses (as defined below) (including invoiced services and accruals) associated with delivering Services during the quarter. All variances to Budget shall be explained in the report and corrective actions identified in each report for Budget over-runs. Quarterly Budget reports shall be delivered by CONTRACTOR to COMPANY no later than 30 days after the close of the applicable quarter.

One hundred and fifty (150) days prior to the beginning of the fourth (4th) and any subsequent calendar year (if applicable), CONTRACTOR will provide to COMPANY for its review and approval a proposed Budget (each a "Proposed Budget"). Each Proposed Budget will be in a format consistent with the Budgets attached hereto as Exhibit E-2, Exhibit E-3 and Exhibit E-4. Proposed Budgets must include a projection of the Management Fee and monthly costs and expenses for the applicable calendar year.

Each Proposed Budget shall include a line item identifying the sum of the gross salaries, accrued bonuses and benefits load (the "Facilities Management Employee Costs") and all monthly detail for each line item for (i) all fees, charges and expenses for provision of the Services; (ii) all other fees, charges and expenses payable under the Agreement, including Pass-through Expenses (as defined below); and (iii) details of any proposed projects for the applicable calendar year.

If, for any reason, CONTRACTOR fails to submit a Proposed Budget for COMPANY's review on a timely basis or the parties cannot agree on a Proposed Budget, COMPANY shall have the right to establish, on its own, the Budget for the applicable calendar year. Any Budget established by COMPANY shall include amounts deemed appropriate by COMPANY for the Management Fee and all expense line items of the type normally included in COMPANY's operating budget for the Services and the Managed Facility, giving due consideration to the prior calendar year's approved Budget.

If for any calendar year the Budget is not established or a Proposed Budget is not approved by COMPANY, CONTRACTOR shall continue to perform the Services in accordance with the Budget for the prior calendar year until a Budget is approved by COMPANY.

CONTRACTOR shall invoice COMPANY for amounts actually incurred by CONTRACTOR in accordance with the applicable calendar year's Budget on a monthly basis in arrears. All costs and expenses incurred by CONTRACTOR in performing the Services including, but not limited to, all labor and material costs and expenses and third party service contracts, shall be included in the Budget for each calendar year and shall be passed-through by CONTRACTOR to COMPANY at cost, without any mark-up (the "Pass-through Expenses"). Pass-through Expenses may include such nominal amounts for employee benefits including, but not limited to, medical coverage, to the extent such employee benefits are identified in the applicable Budget for such calendar year; provided however, that to the extent that these benefits are declined by CONTRACTOR's employees such amounts shall be refunded to COMPANY within 60 days after the last day of the applicable calendar year. All undisputed Pass-through Expenses shall be payable to CONTRACTOR by COMPANY in accordance with Clause 8.1 (Fees and Expenses), commencing as of the Ongoing Services Commencement Date. Furthermore, all travel and travel-related expenses shall be approved in advance by COMPANY and shall be incurred in accordance with any applicable guidelines set forth in the Agreement. All invoices shall include an itemized listing of all such amounts incurred by CONTRACTOR.

CONTRACTOR shall not enter into any contract or otherwise incur any expenses for maintenance, repairs, goods or Services for the Managed Facility if such expenses are not included in the Budget, without the prior written consent of COMPANY. For the avoidance of doubt, the fact that COMPANY approves any such contract or expenditure does not obligate COMPANY to bear any financial responsibility for such contract or expenditure, it being understood and agreed that CONTRACTOR shall have financial responsibility for such contract or expenditure, as more fully described in Section 4 below.

4. Expenses in Excess of Budget

If CONTRACTOR's total Pass-through Expenses, exclusive of Pass-through Expenses due to COMPANY's written request for New Services or Additional Services or such documented expenses caused by COMPANY, incurred in any calendar year in providing the Services exceed those projected in the Budget for such calendar year, such excess Pass-through Expenses shall be paid for by CONTRACTOR and shall be CONTRACTOR's sole responsibility.

Any expenditure by CONTRACTOR that is not provided for in the applicable calendar year's given Budget (including any expenditure of a type that is in excess of the amount set forth for that expense type in the applicable calendar year's Budget) must be approved by COMPANY in advance; provided, however, CONTRACTOR shall be permitted to spend up to ten thousand dollars ($10,000) without COMPANY's prior written approval so long as such expenditure was incurred on an emergency basis and CONTRACTOR notifies COMPANY the immediately subsequent business day of such emergency expenditure. For the avoidance of doubt, the fact that COMPANY approves any such expenditure does not obligate COMPANY to bear any financial responsibility for such expenditure. All expenditures (including emergency expenditures) in any calendar year by CONTRACTOR in excess of those projected in Budget for such calendar year, exclusive of expenses due to COMPANY's written request for New Services or Additional Services or such documented expenses caused by COMPANY, shall be borne wholly and entirely by CONTRACTOR.

The determination of whether expenditure is in excess of any calendar year's Budget shall be based on the total expenditure element of the Budget for the relevant calendar year and not on individual line items of the Budget.

5. Savings Against Budget

If CONTRACTOR's total Pass-through Expenses incurred in providing the Services in any calendar year are less than those projected in the Budget for such calendar year, to the extent such savings are Qualified Savings, CONTRACTOR shall solely be entitled to the benefit of such Qualified Savings, in an amount equal to : (a) X% of such Qualified Savings provided that CONTRACTOR has satisfactorily achieved all Key Performance Indicators in such calendar year and no Critical Service Delivery Failures (as defined below) have occurred in such calendar year ("Total Qualified Savings"), or (b) a percentage of the Qualified Savings in an amount proportional to CONTRACTOR's actual performance against the Key Performance Indicators (the "Reduced Qualified Savings") if CONTRACTOR has not satisfactorily achieved all Key Performance Indicators in such calendar year or a Critical Service Delivery Failure (as defined below) has occurred in such calendar year. For clarification, COMPANY shall solely be entitled to the benefit of all savings (i.e., Pass-through Expenses for any calendar year being less than those projected in the applicable Budget) other than Qualified Savings and Reduced Qualified Savings to which CONTRACTOR is entitled pursuant to this paragraph.

The amount of any Qualified Savings, Total Qualified Savings and Reduced Qualified Savings for any calendar year shall be determined in good faith by COMPANY based on the total expenditure element of the Budget for the relevant calendar year (and not on individual line items of the Budget) and after good faith discussions with CONTRACTOR. Such determination shall be made by COMPANY within 60 days after notification that COMPANY has been fully invoiced by CONTRACTOR following the end of each calendar year. Within forty-five (45) days after such determination is made, COMPANY shall pay CONTRACTOR such determined amount (if any) of Total Qualified Savings or the Reduced Qualified Savings, as applicable.

If CONTRACTOR receives Total Qualified Savings or Reduced Qualified Savings for any given calendar year, then the Budget for the following calendar year shall be reduced by the amount of such Total Qualified Savings or reduced Qualified Savings, as applicable.

As used in this Exhibit E, the following terms shall have the respective meanings assigned to them below:

"Qualified Savings" shall mean the difference between the total Pass-through Expenses element of the Budget for a calendar year and CONTRACTOR's total Pass-through Expenses incurred in providing the Services for such calendar year, reduced by the following:

(i) savings resulting from recommendations proposed by COMPANY;

(ii) savings resulting from capital improvements funded by COMPANY;

(iii) savings resulting from decreases in the scope of Services;

(iv) savings from employing personnel at rates below that anticipated in the Budget; and

(v) any other savings not directly attributable to process or Service improvements made by CONTRACTOR or resulting from recommendations proposed by CONTRACTOR, approved by COMPANY and implemented by CONTRACTOR.

"Critical Service Delivery Failures" shall mean failures by CONTRACTOR to perform the Services in accordance with the provisions of the Agreement which (i) disrupts COMPANY's core business; (ii) results in damage to COMPANY asset(s) which is greater than $50,000; (iii) results in regulatory non-compliance incidents; or (iv) results in serious safety incidents.

Appendix E: Additional Resources

SR Inc has identified the following additional resources which support the implementation of more sustainable facility management contracts:

1. **Leonardo Academy *Model Procurement and Contracting Documents for Green Performance Contracting***. The Leonardo Academy, a non-profit organization providing ongoing support for sustainability initiatives for public as well as private organizations, provides sample government-oriented RFPs, RFQs, contracts, SLAs, and payment schedules within this extended white paper. http://www.leonardoacademy.org/leo-recent-publications/reports/134-model-procurement-and-contracting-documents-for-green-performance-contracting-a-leonardo-academy-white-paper.html

2. **U.S. Department of Housing and Urban Development (HUD) Guidance on *Energy Performance Contracting***. HUD's guidance aids local governments, HUD agencies, and the general public with the implementation of performance-based contracts for energy service companies (ESCOs). Resources include training presentations, RFP documents and checklists, energy service agreements, cost evaluation documents, and much more. http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/phecc/eperformance

3. **FacilitiesNet *Performance Contracting Strategies for Success***. FacilitiesNet, an online association of FM professionals, provides regular coverage of best practices in energy performance contracting and FM contracting for sustainability. http://www.facilitiesnet.com/energyefficiency/article/Careful-Planning-Brings-Benefits-from-Performance-Contracting--12693

4. **Additional SR Inc Guidance**. Recent SR Inc research and guidance are available to support a portfolio-wide sustainability strategy. Applicable research and guidance includes:
   - SRER Member *Global Guidebook for Sustainable Real Estate*, 2012 (update).
   - SRER Member Briefing *Energy Management Companies: Profiles and Case Studies*, 2012
   - SRER Member Briefing *Solar Power Purchase Agreement Vendor Profiles and Case Studies*, 2012 (forthcoming)
   - SRER Member Briefing, *Financing Portfolio-Wide Energy Efficiency Upgrades*, 2011
   - SRER Report *Deploying Enterprise Energy and Carbon Accounting (EECA) Software*, 2011
   - SRER Member Briefing *Implementing Intelligent Building System (IBS) Software*, 2012
   - SRER Member Advisory *Submetering*, 2011
   - SRER Member Briefing *Setting Energy Reduction Targets*, 2012

SR Inc created this guidance and released it to Member-Clients in August 2012.

Members should contact SR Inc with any questions or comments. Members who have experience with leased space ECMs that they wish to share with others are encouraged to do so for inclusion in future updates of this briefing.

One Broadway, 14th Floor
Cambridge, MA 02142
617.682.3632

www.sustainround.com