

## The Articles ▶ Eco-Friendly Advice

### Green Tenant Improvements?

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Everyone is green these days. Almost every significant company has an environmental program and says it wants to recycle, reuse, and reduce its carbon footprint on the planet.

That's all very well and good until one of those companies moves into new office space. Whatever improvements existed in the space, however beautiful and non-obsolete, get demolished and trucked to the landfill, either by the tenant or by the landlord who knew that no matter what, the next tenant wouldn't want them in any version or form.

Then the new tenant spends significant amounts of money and resources to install new improvements to meet the new tenant's needs. Often those needs include the tenant's environmental agenda, so the new improvements must be sustainably sourced, environmentally conscious, recycled, recyclable, certified in various ways, etc. Never mind that the tenant (or the landlord) just got finished discarding truckloads of mixed construction materials because the improvements previously in the space weren't perfect.

Some demolition debris may get recycled or re-used, particularly if the new tenant wants to achieve LEED certification, but I've never seen much of an effort to maintain separate waste streams for demolition debris. It's a fair guess that most of this stuff goes to the landfill.

This happens nearly every time the tenancy of space changes. It adds up to a tremendous consumption of resources and environmental impact. The demolition debris from just one move probably far exceeds whatever environmental impact the "green" tenant avoided over many years through its company-wide recycling programs.

If landlords and tenants want to be green, might they find a better way to handle tenant improvements? Presumably greater minds than mine are hard at work on the question. But almost half a century has elapsed since the first Earth Day, and as far as I can see the dump trucks keep on trucking demolished tenant improvements to the dump.

Maybe some brilliant designer can figure out how to install tenant improvements that the next tenant can readily move around and adapt, rather than discard, and that won't so readily become obsolete. Over time, such a system could substantially reduce the environmental impact of the changes in tenant improvements that now occur with every change in occupancy.

Perhaps partition walls could be designed to be taken down and moved, and other components of tenant improvements could fit together so they could easily be taken apart and put back together differently. New tenants could even have some easy ability to re-finish these components, such as by replacing vinyl with mahogany,

all through an overall design system. The property owner or new tenant wouldn't need to rip everything out every time. Some of this is surely happening already, but the norm remains complete demolition of space followed by complete rebuilding of the same space.

Any system of flexible, movable, and reusable tenant improvements would probably suffer from a problem familiar in any environmental discussion in commercial leasing and building management: it would probably require the property owner to spend more money up front, without necessarily knowing the owner will recover that extra cost through extra income over time. And some creative new scheme for flexible and environmentally sensitive tenant improvements hardly offers the certainty of extra income that might motivate a property owner to write big checks to start it.

Conceivably, market trends will push property owners toward a more long-term and flexible—but also more environmentally sound—approach to tenant improvements. For example, one growth area in office occupancy has consisted of various forms of shared workspace, such as executive suites, co-working arrangements, and incubators. Those tenants come and go and shrink and expand at will. It makes no economic sense to build out their space in a way that requires repeated frequent trips to the landfill.

If the workplace continues to move in that direction, then the demand for flexibility at tolerable cost might also push property owners toward outfitting their buildings with tenant improvements that tenants can re-use and move around rather than discard every time.

Even established major corporate tenants probably see more volatility in their space needs than they did a decade or two ago. Every reorganization or acquisition produces huge swings in space requirements. Those pressures may lead companies to favor shorter-term lease commitments, a change that might accelerate because of changes in accounting rules for leases. Shorter leases won't as readily support huge tenant improvement expenditures that will produce zero value for the next tenant.

If market forces ultimately drive property owners to want to accommodate easy and inexpensive changes of occupancies, then property owners might also figure out a more environmentally sound way to deal with tenant improvements as occupancies change. And the companies involved will thereby find a great way to reduce their environmental footprint.

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