

Reasons for Rent Changes FAQ

GSA Rent bills are generated by an Occupancy Agreement (OA) that is signed by GSA and the tenant agency. The OA Tool billing system was introduced in April of 2005 to stabilize customer rent bills and promote accurate billing – reflecting the actual agreement between GSA and the customer.

On occasion, errors in bills are discovered resulting in corrective actions, most commonly seen as a rate change. There are some situations where rate changes will take place in line with PBS Pricing Policy. These situations are described by Rent Bill line itemization below. When a rate changes, it can be identified with an asterisk (*) on the rent bill, highlighting a change from the prior months rate. There are 3 general reasons your total rent bill will change:

1. **A Change in basis square feet** (this is your Shell Rentable Square Feet, Joint Use Square Feet, or number of parking spaces).
2. **Change in a rate** applied to the basis square feet.
3. **Adjustments** in prior billing periods – either current year, or prior year.

An OA may have square foot changes for a variety of reasons. It is GSA's plan to not have your Rentable Square Feet for your General, Warehouse, and Other space assigned to your Shell rent (Shell RSF) change during the term of your OA.

There are 3 general reasons a rent bill will change its basis square feet:

1. **Change in Square Feet:** You will see changes to your Shell RSF at OA expiration if the building has had a change in measurement; in addition, if an agency has a need for an increase or decrease to your space, these changes will be reflected in the Rent bill.
2. **Change in Joint Use Square Feet:** Your Joint Use square footage may change during the term of your OA based on the composition of the total building. This square foot change is based on a common area factor – the areas that provide space and or amenities for the whole building, not just a specific customer. The square footage for joint use space may change at the beginning of the fiscal year if the common area factor for the building has changed. In addition, if there is Joint Use Parking in an assignment and the Shell RSF changes, the number of parking spaces per assignment may change.
3. **Change in parking:** If a customer adds or removes parking spaces (Structured or Surface) during the term of an OA, these changes will be reflected in the customers Rent Bill.

GSA provides two types of space to our customers – owned and leased.

- **Owned location assignments** are located in a building that is owned and operated by GSA. This space is independently appraised every 3 years, and rates are reset within those buildings every 5 years (regardless of the OA Term). Rates will change in these locations on an annual basis for several components

Rent On the Web (ROW) Reasons for Rent Changes FAQs

Last updated January – 2008

DRAFT

of your rent bill (see below for detailed descriptions of when rates will change in owned locations).

- A **leased location assignment** is in a building where GSA has entered into a contractual agreement with a private sector building owner/agent on behalf of another Federal agency. GSA then administers that lease, and provides the space to the customer as a pass through, with a fee. Rates may change in a leased location, dependant on the contractual agreement that GSA has with the lessor.

Line 1 of the Rent Bill: Shell Rent Amount

Shell rent is the basic amount applied to the generic space provided to customers. This is generally referred to as “warm, lit shell”, meaning that the space has lighting and is heated/cooled as part of the normal building operations.

The Shell Rate will change in Owned Locations:

- Every 5 years for when a new appraised rental rate is applied. This rental rate is based on an independent market appraisal and will be updated regardless of the term of the OA.

The Shell Rate may change in Owned Locations:

- Shell rates may change if there is a blending of rates – this would occur if a customer expanded space in a single OA, but the new space is a different rate then the existing space.

- Example:

Currently an OA has 1000 rentable square feet at \$25.00 per sq foot.
Annual Rent = 25.00 x 1000 = \$25,000

New Space is 200 additional square feet at \$28.00 per sq foot.
Annual Rent = 28.00 x 200 = \$5600

If no new OA is created for this space, GSA would create a blended rate. This rate is the sum of the two annual rents divided over the total new rentable square feet.

$\$25,000 + \$5,600 = 30,600 / 1200 = \25.50 per sq ft

The Shell Rate may change in lease locations:

- Due to a negotiated rent increase or decrease (step rent)
- A new lease is executed, a short term extension is done, a new rate is negotiated during the term of the lease, or a follow on agreement is executed that was negotiated at a different rate.
- A blending of rates – this would occur if a customer expanded space in a single OA, but the new space is a different rate then the existing space. (see the above example for owned on blended rates)

Line 2 of the Rent Bill: Amortized Tenant Improvement Used / General

Rent On the Web (ROW) Reasons for Rent Changes FAQs

Last updated January – 2008

DRAFT

At OA expiration for continuing occupancies or at new occupancy, tenants have the option to use funds to improve their space to meet their needs. This improvement can be done through paint, carpeting, building/removing walls, building offices or conference rooms, electrical and wiring needs, window treatments, doors, millwork, and so on. This allowance is used by the tenant and is amortized generally over 10 years for owned, and the firm term of a lease for leased locations. The agency can choose to amortize over a shorter time frame, but no longer. In addition the TI may not exceed the term of the occupancy agreement.

The Amortized TI Used / General rate will change:

- At the expiration of the TI term.
- If the customer “buys down” their TI balance. This would terminate or reduce the TI General rate and change the bill.

The Amortized TI Used / General rate may change:

- If the customer is using a phased occupancy – meaning that part of a space is occupied prior to the full occupancy.

Line 3 of the Rent Bill: Operating Costs

Operating costs for a Rent Bill may change during any given year. Operating Rent is that charge associated with the cleaning, maintenance, and utility costs incurred in the daily operations of the building. These rates are appraisal/market based for owned buildings (in line with the shell rent) and contractually based in leased locations.

Operating Rate will change

- At the beginning of the fiscal year for those items that are “additional services”
- At the OA Anniversary date, the base operating rate will be escalated by the OMB inflation factor for owned occupancies.

Operating Rent may change

- In leased locations if it is contractually obligated. This escalation is usually done on the anniversary of the lease, and is aligned with the Consumer Price Index (CPI).
- In leased location if the operating rent is escalated not using the CPI, but a lessor escalation clause.
- In an owned location if services change based on customer request. This might be a change in the standard level of services – either increasing or decreasing services (usually only janitorial services).

Line 4 of the Rent Bill: Real Estate Taxes

Real Estate Taxes are generally negotiated as part of the base lease agreement. These rates should not change during the term of the lease, unless there has been a change to the lease agreement. An example would be if a new lease is executed, a short term extension is done, a new rate is negotiated during the term of the lease, or a follow on agreement is executed that was negotiated at a different rate.

Rent On the Web (ROW) Reasons for Rent Changes FAQs

Last updated January – 2008

DRAFT

Lump sum catch up payments for additional taxes will be seen in line 14 of the rent bill. These payments are done annually and reflect the difference between what is recovered as part of the rent bill, and the actual cost of the taxes.

Summary Line A: Market Rent SubTotal **Sum of Lines 1, 2, 3, & 4**

Line 5 of the Rent Bill: Amortized Tenant Improvement Used / Customization

Much like the Amortized Tenant Improvement Used / General, the Amortized TI Used / Customization rate may change. A customization allowance allows the customer to add above standard items to their space to take the space from “vanilla office space” to “custom” and then pay the cost of those items over a set term. Examples of this allowance are lab spaces, holding cells, above standard finishes, raised flooring, and so on.

At the expiration of the TI term, this rate will fall off the bill. In addition, the customer has the option to “buy down” their TI balance. This would terminate or reduce the TI rate and change the bill.

In addition, if occupancy has a phased completion schedule, as the different phases are completed, the rate may change to add the new completed phase of the project.

Line 6 of the Rent Bill: GSA-Installed Building Improvements

These charges apply to leased space where GSA had made capital improvements to a lessors space in order to meet the needs of a customer. GSA will pay the charges associated with the improvements, but will recoup the costs over the term of the lease from the customers who required the improvements.

These charges may change based on the projects completed during a given time period or at expiration of the rate.

Line 7 of the Rent Bill: Building Security Features

a. Building Specific Amortized Capital (BSAC)

BSAC are projects that the tenants of the building in cooperating with GSA and the DHS Federal Protective Service (these groups are collectively known as the Building Security Committee) have agreed will ensure the safety of the building and its tenants.

BSAC Rates will change:

- Each year based on the number of projects completed that contribute to the BSAC program in each building.
- Each year based on the projects that have completed their amortization life space.

Rent On the Web (ROW) Reasons for Rent Changes FAQs

Last updated January – 2008

DRAFT

This rate should not adjust at any other time of the year.

Special Note for BSAC Amount:

In addition to the rate change at the beginning of the fiscal year, the charge basis for BSAC will change if the Joint Use Space changes. This rate is applied not only to the assigned shell rentable square feet, but the Joint Use rentable square feet. If there is a change in the Joint Use rsf, then the charge basis will change.

~~Line 8 of the Rent Bill: No longer used by GSA~~

Line 9 of the Rent Bill: Parking

a. Structure

b. Surface

At the beginning of each fiscal year, parking rates may be updated. These updates are based on an annual escalation factor or a new appraisal for owned buildings, depending on the market that the building is located in.

Line 10 of the Rent Bill: Rent Charges for Other Space

GSA not only provides office and warehouse space, but also can provide unique space to meet most need. These kinds of spaces include moorage, kennels, shooting ranges, helipads, bridges, and so on. These kinds of spaces are provided on a fee basis. The fee for these spaces may be updated at the expiration of the rate, or based on lease agreement.

Line 11 of the Rent Bill: PBS Fee

GSA provides lease acquisition and contract maintenance to its customers through its lease program. In order to cover administrative overhead, PBS charge customers in lease space a flat percentage fee. This fee is based on the total contract cost of the lease – calculated monthly. If any of the basic charges for a lease location change – the PBS fee amount will change. The percentage applied will not change, but the amount will. PBS currently applies a 7% fee for general leases.

Summary Line B: Agency Rent SubTotal Sum of Summary Line A and Lines 5 to 11

Line 12 of the Rent Bill: Pro Rata Joint Use Charges

a. Building Amenities

Joint Use charges for Building Amenities are those areas that all building tenants have access to, and include conference rooms, cafeterias, childcare facilities, health rooms, and so on. This rate may change at the beginning of each fiscal year to accurately reflect the amenities provided by the building. These rates for owned buildings are based on the sum of the appraised shell and operating rent; any Building Specific Amortized Capital; and a general TI amount equal to the general allowance plus a tier 3 customization allowance, amortized over 10 years.

b. Structured Parking

Rent On the Web (ROW) Reasons for Rent Changes FAQs

Last updated January – 2008

DRAFT

c. Surface Parking

Joint Use parking is provided for use by all building tenants. These spaces are not assigned to a particular customer, but rather are available general use, and can include visitor parking.

These rates may be updated at the beginning of the fiscal year if the number of spaces has changed, or the rate has been updated. These rates may be updated annually for owned locations based on appraisal, much like the non – joint use parking.

Summary Line C: Joint Use SubTotal Sum of Line 12 and its components

Summary Line D: Total Monthly Rent Sum of Summary Lines A, B & C

Line 13 of the Rent Bill: One-Time Payments (Rent Rebates)

Line 14 of the Rent Bill: Billing Adjustments and Corrections

a. Current Year

b. Prior Year

Any changes to a customers rent bill will be reflected under Billing Adjustments and Corrections if the impact a prior billed period. Current Year adjustments for prior billed periods will be shown under section 14a. Prior year adjustments will be shown in section 14b. These debits or credits to the customer bill are done providing brief descriptions, with the adjusted period identified.

c. Rent Exemption

Adjustments to rent due to Rent Exemptions will be seen in section 14c. If any of the base charges change (either rate or basis square feet) and increase or decreases the bill, the amount of the rent exemption will change in proportion. In addition, if a new rent exemption is granted, or an exemption expires, the change will be shown here.

e. Trust Fund Agency Adjustment

Trust Fund agencies are provided a reduction to rent due to congressional mandate. In Federally owned space, GSA provides a percent reduction for rent charges, which approximate actual operating costs of the space. These adjustments are done based on the amount billed. This line on the rent bill will change if any of the base amounts change – rent, operating costs, parking, and so on. Leased space does not provide a Trust Fund reduction.

These adjustments are done monthly, with reconciliation at the end of each fiscal year. Also, at any time during the year, GSA and the Trust Fund Agency may agree to a change in the percent reduction being given. If this occurs, the adjustment would reflect this new agreement.

**Summary Line E: Adjustments SubTotal
Sum of Line 13 and 14 and its components**

**Summary Line F: Total Rent Bill
Sum of Summary Lines A, B, C, D & E**

Line 15 of the Rent Bill: Antenna

a. Antenna Charges

GSA provides space on roof tops, water towers, and other structures for Antennas. The charge for antenna assignments is a flat fee, updated annually at the beginning of the fiscal year.

There are instances where GSA will provide an antenna OA exclusive of any other space assignments. These OA's can be either in owned or leased space. For leased locations, the PBS fee can be applied as an ongoing billing adjustment, since the fee is generally applied prior to the Antenna charges. These adjustments will be seen in line 14 of the rent bill.

b. Adjustments - Current Year

c. Adjustments – Prior Year

Adjustments to antenna charges are done using lines 15b. and 15c. These adjustments would be done for current year and prior year, and should also reflect the adjusted billing period.

**Summary Line G: Total Antenna Bill
Sum of Line 15 and its components**

Line 16 of the Rent Bill: Reimbursable Services

a. Overtime Utilities

b. Enhanced Customer Services

c. Mechanical O&M – HVAC

GSA provides customers the option to pay for additional services in their rent bill, instead of via Reimbursable Work Authorization (RWA). The base charge for these services will change at the beginning of the fiscal year, with one month being \$100 more than your normal monthly amount for the processing fee that is applied. Once this rate is established, there should be no changes until the next fiscal year.

Changes may also take place mid year if a customer adds or deletes an additional service. These changes would be at the request of the customer.

e. Adjustments - Current Year

f. Adjustments - Prior Year

Rent On the Web (ROW) Reasons for Rent Changes FAQs

Last updated January – 2008

DRAFT

If there is a need to make adjustments to your reimbursable services, these adjustments will be applied here, instead of to your rent bill lines. Since this funding is not part of the base Rent paid to GSA, adjustments to reimbursable services should be applied independently of Rent.

You will generally see adjustments to current year when the processing of the additional services is done after the start of the fiscal year. Prior year adjustments to Reimbursable Services generally occur when an error has been found in the application or collection of the fees.

Summary Line H: Total Reimbursable Services Sum of Line 16 and its components
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Summary Line I: Total PBS Bill Sum of F + G + H
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