

## Client Enrichment Series – Q & A

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**Topic:** GSA Billing Processes

**Date of Presentation:** September 19, 2013

**Link to Series Information:** [CES Historical Topics](#)

**Access Additional RWA Information at** <http://www.gsa.gov/portal/content/104847>

**Question #1:** Is the price of an Outlease the same as a tenant agency price?

**Answer:** It may or may not be the same.

Generally, each region has the option to negotiate with the private sector tenant for outlease rates. Per a memo issued in 2010 the following is how GSA establishes outlease rates:

"...outlease rental rates are marked to market. That is, rents are not set, but rather negotiated with prospective tenants using market data based on comparable real estate in the surrounding area as the baseline for starting the negotiations."

**Memo Info:**

**From:** John E. B Smth, Acting AC, Real Property Asset Management

**Subject:** Clarification of Outlease Rent Rate Process

**Issue Date:** May 19, 2010

**Question #2:** How are office hours for purposes of tenant utilities determined in GSA owned buildings?

**Answer:** GSA provides 10 hours of "conditioned" space, between 6 am and 6 pm. The exact hours are set by the building tenant or tenant committee. **Please see section 3.7.1 of the PBS Pricing Desk Guide for more information:** [http://gsa.gov/graphics/pbs/PDG\\_4th\\_Ed.pdf](http://gsa.gov/graphics/pbs/PDG_4th_Ed.pdf)

**Question #3:** Does GSA monitor increases/decreases in each agencies space or is it up to each Agency to do that?

**Answer:** GSA is getting an increasing role in helping Agencies look at their space, but ultimately it is still the Agency role to do that.

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**Question #4:** Does GSA charge Real Estate Taxes on Fed Buildings?

**Answer:** No.

**Question #5:** Where can I get information on the ROW Newsletter?

**Answer:** [www.gsa.gov/rentontheweb](http://www.gsa.gov/rentontheweb) or more information is available at [rent.on.web@gsa.gov](mailto:rent.on.web@gsa.gov)

**Question #6:** How is **Return on Investment (ROI)** rent pricing calculated, based on construction costs?

**Answer:** Yes, it is based on the cost of construction.

ROI rent pricing is calculated a couple different ways, based on property type. For assets 20 years or newer (Courthouses and Federal Buildings), construction costs are the base rate, with additional shell investments by GSA being added to the rate on a 5 year cycle. For assets over 20 years of age, the rate is based on the Fair Market Value of the asset as appraised by a commercial appraiser. The operating rates in both instances are based on actual GSA costs. For more detailed information, please see Chapter 6 of the GSA Pricing Desk Guide.

**Question #7:** Is GSA Owned property rent based on market value?

**Answer:** Yes. GSA hires private sector appraisers to determine market value.

Yes, per 40 USC Section 490(j) GSA is required to charge commercially equivalent rental rates for space in owned assets. Based on this, GSA cyclically appraises each owned asset and charges these appraised rates for the space a tenant agency occupies under the Fair Annual Rent program. The rates are held steady, with only operating cost increases, for 5 years. The rates are then reset to the most current appraised rate at the 5 year mark, for another 5 years.