



Welcome to today's presentation on

Introduction to PBS Pricing Policy

The presentation will start at noon Mountain; 2PM Eastern

Note: Phones are automatically muted during the presentation. You have the ability to send questions to the host and presenters through your questions pane. They will answer as many of the questions as possible at the end of the presentation. All questions will be captured, and answers sent to all registered participants prior to the next month's presentation.

August – *Introduction to Occupancy Agreements*

September – *Advanced Topics in Leasing*

TODAY – *Introduction to PBS Pricing Policy*

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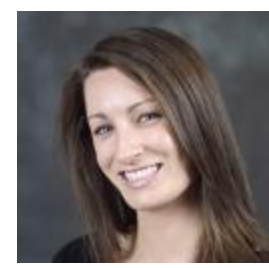




Client Enrichment Series

Introduction to PBS Pricing Policy

Hosted by Bridget Stroh, Regional Account Manager, GSA Region 8



Presented by Nia Brown, Senior Asset Manager, and Carlos Salazar, Lead Space Pricing Specialist



Topics



- Introduction
- Building Shell
- Tenant Improvements
- Move Policy
- Customer Rights
- PBS Lease Fee
- Q&A

Legislative Foundation



Federal Property and Administrative Services Act of 1949,
as amended (40 U.S.C. § 586)

“The Administrator of General Services shall impose a charge for furnishing space and services... The rates shall approximate commercial charges for comparable space and services.”

- Rental Policy & Procedures**
- Overview
- ▶ **Pricing Policy**
- Rent Library

Rent Pricing Policy

The Pricing Desk Guide presents the policies developed by the Public Buildings Service to price real estate and related services to federal tenant agencies. The Pricing Desk Guide sets policy for the entire PBS owned and leased portfolio, and provides pricing direction for both general cases and special circumstances. It is designed to guide PBS employees in the performance of their work, and also serves as a resource for tenant agencies seeking a more thorough understanding of PBS pricing policy and its application. The Pricing Desk Guide will be revised as policy is updated, and the changed content will be clearly marked and dated.

[Pricing Desk Guide>>](#)

[PBS Order 7025.1A](#)

The shortcut to this page is www.gsa.gov/rentpricingpolicy.

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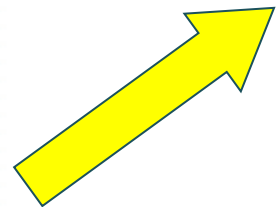
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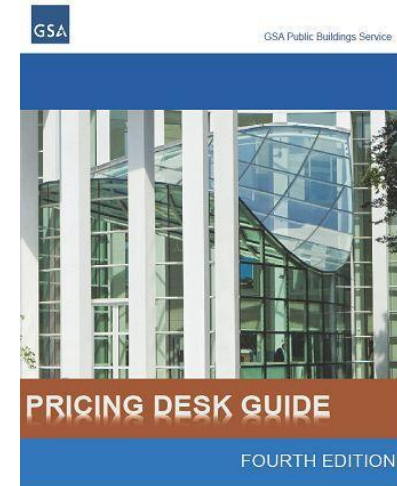
- E-TOOLS**
- [Rent on the Web](#)
 - [Inventory of Owned and Leased Properties](#)

Last Reviewed 2013-11-08



Pricing Foundation

- Federally owned space
 - Rent is based on an appraisal or return on investment
- Leased space
 - Rent is a pass-through of the underlying lease contract rent plus:
 - any standard operating costs not performed through the lease
 - PBS lease fee





Building Shell

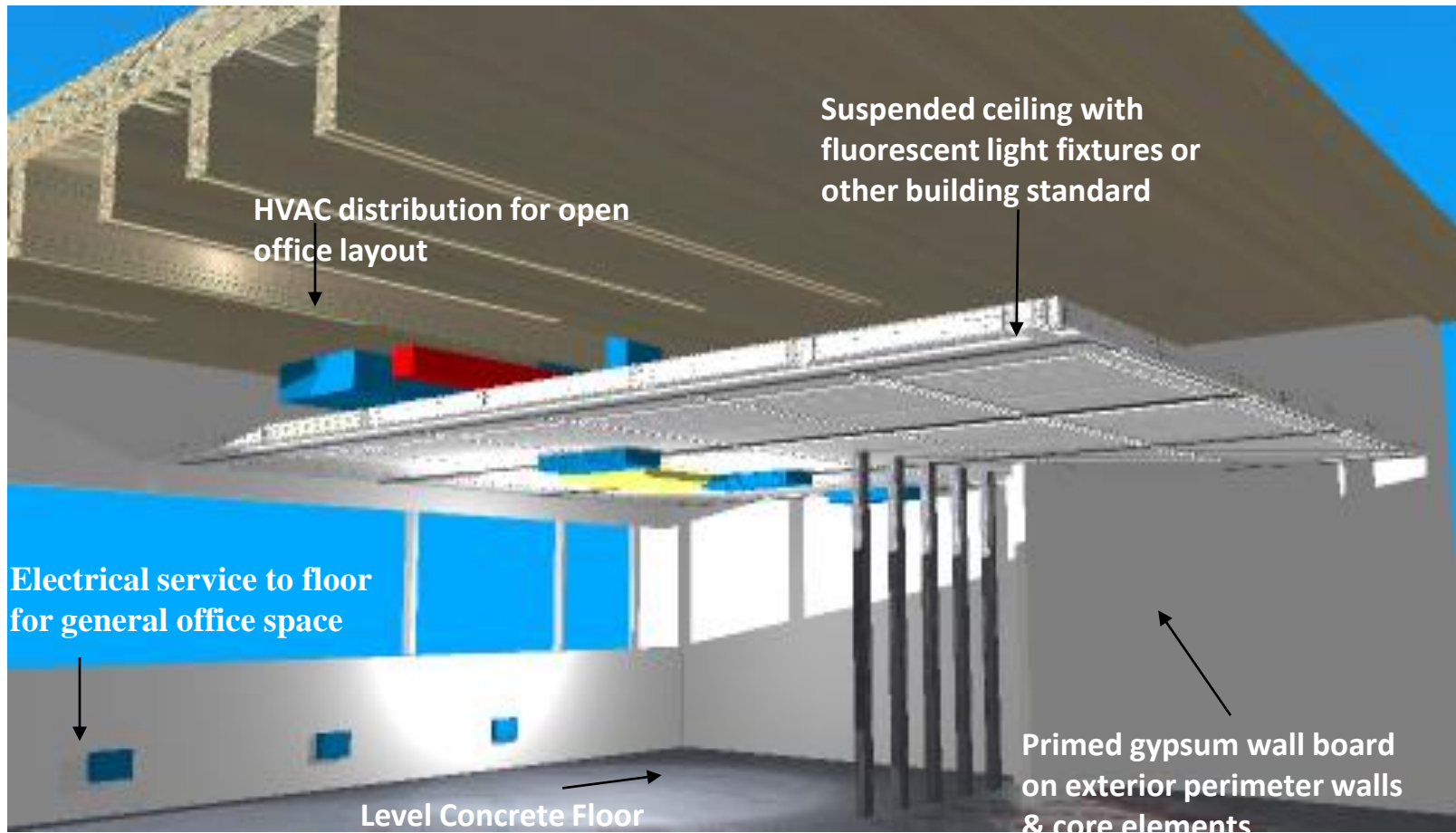
GSA Building Shell

- The complete enveloping structure, the base building systems, and the finished common areas of a building that adjoin the tenant areas.

Table 2-2. Shell Definition

| Base Building | Tenant Areas |
|---|---|
| Base structure and building enclosure components (windows with exterior finishes) are complete. | Broom-clean concrete floor slab, with level floor not varying more than ¼ inch over 10-foot horizontal run, in accordance with American Concrete Institute Standards. |
| Base building electrical and mechanical systems (e.g., central fire alarm, chiller plant, cooling tower) are complete and functional. | Gypsum wallboard, spackled and prime painted, on exterior perimeter walls and interior core walls, is installed. |
| All common areas, such as lobbies, elevators, fire egress corridors and stairwells, garages, and service areas are complete. (Circulation corridors are provided as part of the base building only on multi-tenanted floors where the corridor is common to more than one tenant. On single tenant floors, only the fire egress corridor necessary to meet code is provided as part of the shell.) | 2 by 2 feet suspended acoustical ceiling with 2 by 2 feet parabolic fluorescent (or other building standard, such as 2 by 4 feet fixtures) installed in the ceiling grid for an open office plan at the rate of one fixture per 80 USF, is installed. |
| Building common restrooms are complete and operational. | Common corridor stud walls, without gypsum board on demised tenant premises side and without suite entry door, are installed. |
| Building cores on each floor with assignable space contain the following: tappable domestic water riser, service sanitary drain, sanitary vent, ready for extension to tenant-demised areas. Electrical power distribution panels and circuit breakers available in an electrical closet, with capacity at 277/480 volt and 120/208 volt, 3-phase, 4-wire providing 7 watts per USF. Designated connection point to the central fire alarm system for extension to tenant-demised areas. Distribution backboard within a wire closet for connection to tenant's telephone lines. Vertical conduit (empty sleeve) through building core, available for tenant wiring and cabling. | Central heating, ventilation, and air conditioning (HVAC) systems are installed and operational, including, as appropriate, main and branch lines, variable air volume boxes, dampers, flex ducts and diffusers, for open office layout. Conditioned air through medium pressure ductwork at a rate of .75 cfm per square foot of usable area is provided. Sprinkler mains and distribution piping in a protection layout (open plan) with heads turned down, concealed with an escutcheon or trim plate, are installed. |

Building Shell in Tenant Area



Building Shell

- PBS uses the shell definition for consistency
- Building standards and design guides are not part of the building shell merely because they are called “standards”
- Tenant agency driven upgrades to building shell are separately priced and considered TIs
- The shell and TI distinction is an impermeable barrier or "firewall" across which funding cannot shift

Shell Rent – Leased Space

- Pass-through of the underlying PBS lease
- Lessors use shell definition in RLP to develop their shell rental rate
 - PBS policy is to include cyclic painting and carpet replacement in leases as a shell cost
 - Design Intent Drawings (DIDs) included in shell unless Contracting Officer specifies Government will provided DIDs.

Shell Rent – Federally Owned Space

- Shell rents are established for 5 year periods
- Shell rent based on a Fair Annual Rent appraisal
 - General storage space receives discount





Tenant Improvements

Tenant Improvements

- The finishes and fixtures tenant agency elects that typically take space from the shell condition to a finished, usable condition
 - compliant with all applicable building codes and standards
- The existence of building standards does not mean they are part of shell

Typical Tenant Improvements

- Electrical wiring, outlets, and horizontal conduit, including cable trays and hooks, within the tenant area and to the building core.
- Floor covering
- Plumbing fixtures within the tenant area and all lines connecting to the building core - except common bathrooms
- Partitioning and wall finishes
- Doors (including suite entry), sidelights, frames, and hardware
- Window treatments

Shell vs TI Example



Building Signage

Wood
(Common Area)

Suite Entry Door

Wood Wall &
Agency Seal

Tile
(Tenant Space)

Glass Wall with Leaf Graphic
(Common Area)

Tile
(Common Area)

Legend

| |
|--------------------|
| Shell |
| Tenant Improvement |

Application of TI Allowances

- Tenant agency elects how its space is to be finished
- Rent payment is lower if an amount less than the allowance limit is used
- If the full allowance is not used for initial build out, it is no longer available
- Only used to pay for real property
 - Including movable walls

TI Cannot Fund Personal Property

Examples Include

- Furniture
- Microwaves
- Refrigerators
- Artwork
- Personal computers
- Audiovisual equipment
- Televisions
- Phones
- Physical relocation expenses



TI Allowance

- General Component
 - Takes the space from shell to “vanilla” office space
 - \$38.95 per USF and indexed to local construction costs
- Custom Component
 - Takes the space from “vanilla” office space to space specifically designed to function for a particular tenant agency’s mission
 - Each tenant agency and bureau is assigned a tier

TI Allowance by Tier

$$\begin{array}{r} \text{General Allowance in D.C.} \\ \times \text{ Local Construction Index } \\ = \text{ **General Allowance** } \end{array} \qquad \begin{array}{r} \$ 38.95 \text{ per USF} \\ \times \text{ 0.96 (varies by city) } \\ = \text{ **\$ 37.39 per USF** } \end{array}$$

$$\begin{array}{r} \text{General Allowance} \\ \times \text{ 10% for each Tier } \\ = \text{ **Custom Allowance** } \end{array} \qquad \begin{array}{r} \$ 38.95 \text{ per USF} \\ \times \text{ 20% (Tier 2) } \\ = \text{ **\$ 7.48 per USF** } \end{array}$$

$$\begin{array}{r} \text{General Allowance} \\ + \text{ Custom Allowance } \\ = \text{ **Total Allowance** } \end{array} \qquad \begin{array}{r} \$ 37.39 \\ + \text{ \$ 7.48 } \\ = \text{ **\$ 44.87** } \end{array}$$

TI Allowance by Functional Estimate

- The TI allowance is set in accordance with the benchmarks or cost estimates
- Must cover the cost of basic functionality that meets the tenant agency's operational requirements for its specific space use.
 - GSA is not obligated to ensure that all aspects of a tenant agency's design guidelines are incorporated into the TI allowance

TI Allowance Amortization - Leases

- Amortization term usually the firm term of the lease
- Two rules for limiting amortization terms for TIs:
 - The amortization term must not exceed the economic life of the improvements
 - The amortization term must not exceed the term of the OA
 - Exception: Lessors, with PBS and tenant agency agreement, can set amortization term beyond the lease firm term provided no lump-sum costs due if PBS exercises termination rights or leaves at the end of the lease term
- Interest rate negotiated between the successful offeror and GSA

TI Allowance Amortization - Owned

- Standard amortization term is 10 years
- Two rules for limiting amortization terms for TIs:
 - The amortization term must not exceed the economic life of the improvements
 - The amortization term must not exceed the term of the OA
- Interest rate set annually, 10 year Treasury plus 12.5 basis points
 - 2.835% as of April 2014



Occupancy Agreements

The Occupancy Agreement (OA)



- A complete, concise statement of the business terms governing the relationship between GSA and the tenant agency for a specific space assignment
- Serves as the billing document
- Formal agreement between the signing parties

OAs

Pro Forma OA

- Estimate of rent charges
- Additional iterations as appropriate

Billing OA

- Billing OA reflecting rent charges

Administrative OA

- Revisions to billing OAs that do not require customer signature and sent for notification purposes

OA Signature

- Signature required
 - Before awarding a lease contract, purchasing a site or awarding a design contract
 - Space expansions
 - Amortizing new TI





Move Policy

Move Policy

- Agencies responsible for funding their own physical moves and telecommunication costs
- Customer agencies in both leased and federally owned space can expect to fund all move costs at the end of their OA term
- Exceptions:
 - Forced moves
 - Emergency relocations due to disasters or crises , GSA may fund the moves up front, subject to funds availability



Tenant Agency Rights

Tenant Agency Rights - Cancellation

- Prior to Contract Execution
 - No fault cancellation
- After Contract Execution, Prior to Rent Start
 - Agency is liable for the lesser of these costs
 - 16 month rental obligation had it occupied the space, plus the unamortized balance of the TIs
 - In the case of a lease, the lease buyout costs, or
 - In the case of a owned space, the total project costs incurred

Agency Rights - Return of Space

- With 4 months written notice, tenant has right to release space to PBS provided the following conditions are met
 - There is no longer a need for the space
 - The space is in marketable blocks
 - The space is not designated as non-cancelable
 - The tenant is at least 16 months into their occupancy term

Non-cancelable Space

- Remote or not easily accessible location
- Special purpose use or build-out
- Lease Construction
- Unusual term
- Lack of any realistic federal need for the space
- Any other factors that would significantly impair PBS' ability to backfill the space

PBS Lease Fee

PBS Lease Fee

- Leases charged a fixed, non-divisible 7% PBS Fee
- 7% Fee applies to all lease actions with two exceptions:
 - 5% fee for non-cancelable space
 - 4% fee for USPS controlled space
- PBS Fee covers
 - Contract risk
 - Lease acquisition services
 - Lease administration



Questions?

Thank you for joining us for today's discussion!

Introduction to PBS Pricing Policy

Please join us in August for

Introduction to Occupancy Agreements

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