



March 16, 2017

MEMORANDUM FOR: REGIONAL COMMISSIONERS, PBS
REGIONAL LEASING DIRECTORS
REGIONAL LEASE ACQUISITION OFFICERS
REGIONAL PORTFOLIO DIRECTORS

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SUBJECT: LEASING ALERT (LA-FY17-05) – Proper Entry into REXUS of
Free Rent and Broker Commission Credits

1. **Purpose**. This Leasing Alert establishes written guidance for consistent entry of free rent and broker commission credits (BCC) into the REXUS application. Recent audit findings (NFR 2016-004 Inaccurate Lease Data) identified issues with PBS's financial statements caused by inconsistent REXUS data entries. Consistent use of procedures described herein will enable the Office of the Chief Financial Officer (OCFO) to capture information necessary to produce accurate financial statements for PBS.
2. **Effective Date**. This Leasing Alert is effective immediately. It applies to all future data entry into REXUS and to existing data for leases in pending status with future free rent or BCC. It also applies to any leases currently within a free rent period that have not been made active yet.
3. **Applicability**. This Leasing Alert is mandatory and applies to all General Services Administration (GSA) real property leasing and portfolio activities.
4. **Cancellation**. None.
5. **Instructions and Procedures**.

The example on the following pages serves as an illustration of proper REXUS entry for free rent and BCC.



Summary:

Withholds for free rent or BCC that are in equal monthly amounts and consecutive months should be a single withhold entry which identifies the monthly amount and the number of months. Do not create separate withholds for each month if the months are consecutive and the monthly amounts are the same.

If the free rent monthly amounts are not the same every month or are not consecutive months, then separate withhold entries should be created for each non-consecutive period and for each period(s) in which the amounts are different from the others.

If the BCC monthly amounts are not the same because the total credit is not divisible into equal amounts, then a separate withhold entry should be created to capture the odd amount.

Note that the lease contract language must match the monthly amounts and time frames for both the Free Rent and BCC line items. Also note that future payment lines must be initially entered as "projected" and cannot be made active until such time as the lease reaches the effective date of the payment action.

Here is an example of a scenario that illustrates all the possibilities cited above: A lease has an annual rental of \$138,000 (\$11,500/month) with the first two and a half months free, and the last month free, plus a commission credit of \$21,100.

Note that shell rent must be entered into REXUS as a separate line item from tenant improvements amortization and operating expenses.

The first withhold is for two full months of free rent (1/1/16 through 2/29/16). The second withhold for the 3rd month is for a half-month of free rent (3/1/16 through 3/31/16). It must be a separate entry because the monthly amount is not the same as the entry for the first two months.

Once the initial free rent period is over and rental payments commence, the BCC is taken against the shell rent in equal monthly amounts not to exceed the monthly shell rent. In this example, the BCC is greater than two months shell rent and less than three. It is taken over three months. Because the BCC is not divisible into three equal installments or withholds, there is one withhold entry for two months (4/1/16 through 5/31/16) at \$7,033 per month, followed by a one-time withhold of \$7,034 (6/1/16 through 6/30/16). The last withhold is for one month of free rent (12/1/20 through 12/31/20). Because it is not consecutive to the other months of free rent, it is also a separate entry.



Here is how the Payment Lines would look in REXUS based on the example above

Current

Lease Agreement RSF: 11,500.00 Annual Rent: \$138,000.00 Monthly Rent: \$11,500.00

Payment Information

Add Payment **Preview**

Filter By: Status

Status: **Filter**

Active
Future
History
Projected
Replaced

First <Prev Next> Last 10 Results Results Per Page

Action	Payment Type	Status	Effective Date	Expiration Date	Send to OA Tool	Frequency	Annual Amount	Digest No.
	Shell Rent	Active	01/01/2016	12/31/2025	No	Monthly	\$120,000.00	1
	Operating Rent	Active	01/01/2016	12/31/2025	No	Monthly	\$18,000.00	1
	Withhold	History	01/01/2016	02/29/2016	No	Monthly	\$11,500.00	1
	Withhold	History	03/01/2016	03/31/2016	No	One Time	\$5,750.00	2
	Withhold	History	04/01/2016	05/31/2016	No	Monthly	\$7,033.00	3
	Withhold	History	06/01/2016	06/30/2016	No	One Time	\$7,034.00	4
	Withhold	<input type="text" value="Projected"/>	12/01/2020	12/31/2020	No	One Time	\$11,500.00	

Free Rent

Free rent is a withhold against rent payments. Do not delay entering rent data into REXUS, even if free rent causes the first rent payment to be due after the Lease Term Commencement Date. Also, do not enter reduced amounts for any individual rent components (e.g., shell, TI amortization) to account for free rent.

Free rent to be received in one month or over multiple consecutive months in equal amounts should be entered as a single payment line with payment type "Withhold," and payment description "Rent Free Period."

If the free rent is to be received in one month, select "One Time" as the payment frequency. If the free rent is to be received over multiple months, select "Monthly" as the payment frequency, then enter the total number of months needed to fully capture the free rent in the field "Withhold No. of Months," enter the appropriate monthly dollar amount in the field "Monthly Amount," and enter the appropriate Effective Date for the start of the withhold.



Rent Free Period – Multiple consecutive months in equal monthly amounts

Lease Edit Payment

Edit Selected Payment

*Payment Type	Withhold	Rate per SQFT	\$1.000000
*Payment Description	Rent Free Period	*Monthly Amount	\$11,500.00
*Payment Frequency	Monthly	Grand Total	\$23,000.00
*Send to OA Tool	No	*Effective Date	01/01/2016
		*Withhold No. of Months	2

Cancel Save

Do not create multiple payment withhold lines to capture multiple months of free rent or BCC except when the monthly amounts are not the same or the months are not consecutive. Here are two examples:

- There are multiple months of free rent, but they are not consecutive. The first two months of the lease, January and February 2016, are free, and the last month of the lease, December of 2020, is free. These would be entered as two separate payment withhold lines. (Note that, in instances where free rent is provided during the “soft term” of the lease and the Government terminates the lease prior to the effective date of the free rent, the Government forgoes its right to receive free rent.)

*Rent Free Period – Future
(separate entry from previous free rent withhold, because it is not consecutive)*

Lease Edit Payment

Edit Selected Payment

*Payment Type	Withhold	Rate per SQFT	\$1.000000
*Payment Description	Rent Free Period	*Amount	\$11,500.00
*Payment Frequency	One Time	Grand Total	\$11,500.00
*Send to OA Tool	No	*Effective Date	12/01/2020
		*Withhold No. of Months	1

Cancel Save

- There are consecutive months of free rent, but the monthly amounts are not the same (i.e., two full months of free rent, followed by a partial month of free rent).



*Rent Free Period – One Month
(separate entry because it is not equal to previous monthly amount)*

Lease Edit Payment

Edit Selected Payment

*Payment Type	Withhold	Rate per SQFT	\$0.500000
*Payment Description	Rent Free Period	*Amount	\$5,750.00
*Payment Frequency	One Time	Grand Total	\$5,750.00
*Send to OA Tool	No	*Effective Date	03/01/2016
		*Withhold No. of Months	1

Cancel Save

Broker Commission Credit(s)

BCC are deducted or “withheld” against shell rent. Therefore, the full monthly shell rent amount must be entered into REXUS as payment type “Shell Rent” with an effective date consistent with the established Lease Term Commencement Date. Once the Shell Rent is entered in REXUS, the BCC is entered as a separate withhold payment line(s). Do not enter an amount that reflects the shell rent minus the BCC. If BCC is to be received in one month or over multiple consecutive months in equal monthly amounts, it must be entered as a single payment line with payment type “Withhold,” and payment description “Broker Commission Credit.”

If the entire credit is to be received in one month, select “One Time” as the payment frequency, enter the appropriate dollar amount in the field “Amount,” and enter the appropriate effective date.

If the BCC is to be received over multiple months in equal monthly amounts, select “Monthly” as the payment frequency, then enter the total number of months needed to fully capture the credit in the field “Withhold No. of Months,” enter the appropriate monthly dollar amount in the field “Monthly Amount,” and enter the appropriate effective date for the start of the withhold.

Broker Commission Credit – Multiple Months in equal monthly amounts

Lease Edit Payment

Edit Selected Payment

*Payment Type	Withhold	Rate per SQFT	\$0.611565
*Payment Description	Broker Commission Cre	*Monthly Amount	\$7,033.00
*Payment Frequency	Monthly	Grand Total	\$14,066.00
*Send to OA Tool	No	*Effective Date	04/01/2016
		*Withhold No. of Months	2

Cancel Save



If the BCC is to be received over multiple months, but results in an uneven monthly amount, there must be a separate payment withhold entry for the uneven amount. For example, a \$21,100 BCC taken over three months in two equal amounts plus a 3rd month of a differing amount is entered as two separate “Withhold” type payment line entries. The first withhold line should indicate “Monthly” as the Payment Frequency, “2” as the “Withhold No. of Months” entry, and \$7,033 as the Monthly Amount. Enter the appropriate Effective Date. The second withhold line for the 3rd month should be entered using “One Time” as the frequency, and \$7,034 as the Monthly Amount. The appropriate effective date for this line should be the start of the payment period following the end of the prior two-month withhold period.

*Broker Commission Credit – One Month
(separate entry because it is not equal to previous monthly amount)*

The screenshot shows a web form titled "Lease Edit Payment". The form is divided into two columns. The left column contains fields for: *Payment Type (Withhold), *Payment Description (Broker Commission Cre), *Payment Frequency (One Time), and *Send to OA Tool (No). The right column contains: Rate per SQFT (\$0.611652), *Amount (\$7,034.00), Grand Total (\$7,034.00), *Effective Date (06/01/2016), and *Withhold No. of Months (1). At the bottom right, there are "Cancel" and "Save" buttons.

Final Funds Certification

Note that payment lines for Free Rent and BCC should be entered in the project before requesting Final Fund Certification. This will ensure that payment lines will be copied to the lease when it is created in REXUS.