

Client Enrichment Series – PBS Space Pricing Basics



Topic: *PBS Space Pricing Basics*

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Additional Resources:

[Pricing Desk Guide, 5th Edition](#) - the policies developed by the Public Buildings Service to price real estate and related services to federal tenant agencies

[Client Enrichment Series website](#) - upcoming sessions and past presentations library

[Client Enrichment Series YouTube Playlist](#) - 32 videos about PBS programs, policies and services

Q&A Index:

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Common Terms Refresher

Q1. What does "BSAC" mean?

- A.** Building Specific Amortized Capital - a countermeasure based on Interagency Security Committee standards, the charge for which is a separate capital investment in the property and is not included in the building shell or the TI allowance.

Q2. What could be classified as "any standard operating costs not performed through the lease"?

- A.** The lease could be net of, for example, electrical where a separate GSA contracted electrical service outside of the Landlord's lease is charged on the rent bill separately to GSA's customer agency.

Q3. What's an "RLP"?

- A.** An RLP is a Request for Lease Proposal. This is the document that solicits lease proposals for GSA in a competitive space acquisition

Q4. What is "shell"?

- A.** Shell is the complete enveloping structure, the base building systems (HVAC, plumbing, electrical, etc), and the finished common areas that adjoin the occupant areas.

Q5. What is an “RWA”?

- A. An RWA is a Reimbursable Work Authorization. This is the agency's funding document to pay GSA the stated lump sum amount for certain items or services.

Q6. What reference is used for “Local Construction Index”?

- A. GSA's Design & Construction Division does that research for the Local Construction Indices per Marshall & Swift reference.

Q7. Does “Substantial Completion” mean the same thing as “Operationally Functional”?

- A. Substantial Completion is when the Government has access to the premises and occupancy, possession, use and enjoyment thereof. Operationally functional means the building systems, safety, and security features included in the construction must function and be operational.

Q8. Does “Operationally Functional” include any commissioning of the HVAC systems?

- A. Yes, “operationally functional” does include commissioning of the HVAC system. The initial commissioning happens before product delivery. Systems are verified to operate as designed by verifying all control parameters are at the correct setpoint. Initial commissioning is always part of a product or system purchase. After the initial commissioning, an ongoing commissioning is conducted as described in the National O&M specifications.

Square Footage Questions

Q1. Is RSF (Rentable Square Feet) always equal to or larger than USF (Usable Square Feet)?

- A. Typically, RSF is larger than USF, as USF is multiplied by the building common area factor to arrive at the RSF.

Q2. When does a minor square footage change for OA go into effect?

- A. For federally owned buildings, a square foot measurement verification can cause a square foot change in an agency's space assignment at any point during the OA term depending on PBS' cyclical space verification schedule for its inventory. If the change in any space assignment is greater than 50 usable square feet then the space assignment on the rent bill is not changed until both PBS and the tenant agency have had time to budget. The exception would be if the occupant agency caused a square foot change (e.g., through renovation or expansion) where at completion of construction the space assignment measurement would be verified and immediately billed.

In the case of PBS' square foot measurement verification of its inventory, for square foot changes in space assignments that are less than 50 usable square feet, rent will not be changed until the end of the OA term or market rate reset.

Q3. Does square footage verification occur before or after the final OA?

- A. See first sentence of answer above.

Occupancy Agreements (OAs)

Q1. How is an OA different from an ISSA (Inter-agency Support Services Agreement)?

- A. In an OA, there is no requirement that the customer agency certify that current year funds are available to defray future year obligations, rather the customer makes a good faith effort to meet their obligations as they arise. Some rent components have increases or escalations annually that are not known in advance, but are part of rent. In an OA, customers typically have release of space rights. Consequently, GSA only asks for customer signature on an OA in certain situations, such as expansions and amortization of TI. Pricing Policy does not employ Inter-agency Support Services Agreements and cannot speak to the nature of such documents.

Q2. How long do OAs last before they expire? How is the expiration date determined?

- A. For Leases, the underlying OA is typically the same term as the lease. For federally owned buildings the shell and operating rent rates are established by Fair Annual Rent Appraisal for which the rate set period is 10 years, consequently the standard OA term is 10 years.

Q3. Is there a limit to the delta that an administrative OA can change? That is, is there a maximum that an Administrative OA can change the rent? For example, can GSA increase the operating cost, thereby increasing the rent, and not notify the tenant? What is an Administrative OA used for? Is a signature required on an Administrative OA?

- A. Administrative OAs do not require an agency's signature and notify changes for such things as: changes to number of parking spaces or antennas, or operating rent escalations (pre-notified estimates for budgeting purposes to the customer agencies are in the ProForma OAs and Final OAs in the Financial Summary Pages). Parking spaces or antennas are not changed without customer agency involvement. Further, operating rent escalations for leases (rents are a pass through to the agency) are typically factored using the Consumer Price Index; in federally owned buildings they are factored using an Office of Management & Budget (OMB) provided rate.

Q4. Why doesn't the total amortized dollar figure in the OA financial pages not match exactly the total the agency agrees to pay in TI?

- A. The amortized TIs are the amount that is permitted to be financed into the Rent. That amount is based on the agency's assigned tier level and not the total cost of the TIs. The amount of the TI costs that exceed the amortized TIs is paid lump sum by the customer agency with an RWA.

Q5. Is there an instance in federal space that an OA is not sent to the agency at the 5 yr renewal?

- A. If you believe an OA was not sent it could be GSA was notified of a different recipient in your agency. On your rent bill should be a contact name that you can call or email to request another OA be sent. Please note that currently OAs are not sent at the 5 year renewal as OA terms are now 10 years and market rate sets are also at 10 years.

Shell, Tenant Improvements (TIs) and Tiers

Q1. Are modifications to the sprinkler system considered TIs?

- A. Adjustment or repositioning of [fire] sprinkler heads to avoid conflict with customer agency's particular office partition layout; additional sprinklers required by local code to meet customer agency's layout, or ceiling grid adjustments or consequent reposition of sprinkler heads to the center of the ceiling tiles are all TI costs.

Q2. Does TI also include interior configurations?

- A. TIs are the finishes and fixtures that typically take space from the shell condition to a finished usable condition. Consequently, any interior re-configuration by the agency of its assigned space is still a TI.

Q3. Can you speak on the Tier Rates that are associated with TI Allowances? (In regards to the NCMT, it's used to estimate the initial RWA. Although brief information can be found in the PBS Cost and Schedule Management Policy ... I was hoping it would be addressed somewhere in the Pricing Basics). Is there any information or policy reference for it?

- A. Each customer agency and bureau is assigned a tier based upon a computation that takes the blended average of the cost to PBS to construct all space assigned to that customer agency or bureau. The blended average is not an attempt to cover all costs, but to provide equivalent value for what PBS had provided under the previous pricing practice. The National Cost Management Tool (NCMT) is not used in the development of the agency tier. For more information about the general and custom allowances, please refer to the PDG sections 2.5.4, 2.5.5 and 2.5.6 for leases and sections 3.6.4, 3.6.5 and 3.6.6 for Federal space. We also encourage you to contact your customer engagement representative for an off-line discussion if you have a more specific question.

Q4. Does outdoor signage constitute part of the shell?

- A. It depends on the type of signage. An overall tenant directory in the building lobby is part of the building shell. However exit signage within the tenant space would be considered TI. Customer agency signage in the common corridor would also be considered TI.

Q5. So the tenant agency pays for TIs, and they cannot conduct TIs above their allowance given by GSA?

- A. The TIs above the agency's tier TI allowance are still conducted, it is just that the TI costs above the customer agency's assigned tier allowance is paid by the agency in lump sum with an RWA and not financed into the Rent. The agency's assigned tier allowance is amortized into the rent. That tier allowance is not the total cost of the TIs.

Q6. What do you mean by "financed"? So the Tier allowance is paid by agencies, but TI costs above the allowance is paid by GSA?

- A. The agency's assigned tier TI allowance is amortized into the rent. This means that per pricing policy the tier allowance is given upfront in a new occupancy to the agency and is paid back in the rent with interest. Any TI costs above the TI allowance are paid by RWA and are not amortized into the rent. The tier allowance is not the total cost of the TIs.

Example - let's say the total TIs cost \$50,000. Let say the tier allowance is \$35,000. The \$35,000 could be amortized in the rent for new space (not mid term OA), and the \$15,000 remainder in TI costs is paid by the agency lump sum with an RWA to GSA. The customer agency is paying for all of its TI costs through a combination of the rents and lump sum RWA.

Q7. When does the tenant pay for TI and when does GSA pay for TI?

- A. The customer agency pays for all of the TIs, not GSA. GSA may amortize into the Rents (for new space to the agency) the customer agency's assigned tier allowance. This means GSA gives the tier allowance upfront to the agency to use and that amount is paid back in the rent with interest. Any TI costs exceeding the customer agency's tier allowance is paid by the customer agency in lump sum to GSA by an RWA.

Q8. If you don't use all of your TI, can it be deobligated?

- A. If a customer provides an RWA for TIs over the TI allowance, any funds that are not used would be returned to the customer, similar to any RWA project in any space type.

Q9. Aren't basic Fire Life Safety (FLS) components included in the shell, too? (eg sprinklers, notification devices, etc)?

- A. FLS items for an open office layout are included in the shell. However, once the agency starts putting up partitions and things need to be relocated, that cost becomes TI.

Miscellaneous

Q1. How are taxes handled?

- A. In a lease that a tenant agency may occupy, the lease terms like escalations in operating costs or increase or decrease in taxes are passed through to the customer agency in the rent. There are no taxes in federally owned space.

Q2. How are parking costs treated, in shell or itemized?

- A. In Federally owned space, parking is charged as a per space rate. In a lease, parking is charged on a per space basis as identified in the lease. However in some leases the parking rate may be included in the shell rate. Parking is not a shell item and is paid for by the customer.

Q3. Could customers pay the costs for asbestos abatement?

- A. Yes, there are instances where the customer pays for asbestos abatement. Asbestos containing material in a GSA building is a GSA responsibility. For a tenant driven alteration funded via RWA, it's often impractical for GSA to obtain timely funding for abatement. Consequently abatement is typically funded via RWA and GSA provides Rent consideration after substantial completion. Talk to your GSA Customer Engagement representative for details in those instances as additional criteria may be applicable.

Q4. What if remediation is cost prohibitive for the agency to fund?

- A. If remediation is cost prohibitive, GSA may manage the containment in place. Or, if it interrupts space completion, it requires a further discussion with the appropriate GSA Customer Engagement contact and Project Manager for alternatives, if any.

Q5. What are the limitations to using the FIT program?

- A. Contact us at TotalWorkplace@gsa.gov and the team can help you provide you with all the resources you need to plan, design, purchase, and implement a furniture / IT solution for your workplace. You can learn more about the FIT program on our [FIT program website](#).

Q6. Has there been a change in AAAP that requires 96-month TI amortization terms vs. firm term?

- A. Yes, effective 10/1/2018, the AAAP RLP was updated to state that the TI amortization is 8 years (96-months) regardless of the firm term. This matches the minimum firm term of 8 years for AAAP.

Q7. Please discuss O&M responsibilities in tenant program space. I am looking for clarity in GSA's responsibility for basic O&M in tenant spaces under a full service rent scenario. I understand that GSA does not support specialized program equipment.

- A. Full service rents include an operating rent component attributable to utilities, maintenance, and custodial. The utility portion (consistent heating and cooling) is based on a one-shift office operation, Monday through Friday excluding federal holidays. For maintenance in federally owned buildings, PBS maintains the building standard systems (mechanical, electrical, and plumbing, elevators, common and parking areas). For custodial in federally owned buildings PBS uses a national custodial specification at a standard comparable to commercial cleaning for similar commercial general use office space. In leases, the operating costs attributable to O&M are the pass through of that Rent component to customer agencies. Repair, operation and maintenance of customer agency program equipment is funded by the customer agency through an RWA.

Q8. For phased occupancy, does the rent get charged on a prorata basis, and then increase to the full rent once the occupancy is complete?

- A. At each point of the completed phase the rent for the completed space is charged. So if there are 3 phases, and phase 1 and phase 2 are completed, then rent would be charged for phase 1 and for phase 2.

Q9. Where can I find the Design Intent Drawing (DID) guide?

- A. The DID guide can be found on our GSA website at this link: [Design Intent Drawing Review Guide](#), and a previously held Client Enrichment Series session “Demystifying the Design Intent Drawings” may also provide you with helpful information. See [Slide Deck](#) and [Session Video](#).

Q10. How are “Level 2” DID’s priced?

- A. In Lease space, an initial submission of the Design intent drawings (DIDs) Level 1, plus two onboard reviews are typically included in the shell requirements. Level 2 DIDs may be requested for more complex requirements or for projects with extensive security requirements. If the customer agency requests level 2 DID’s, they should be funded with an RWA. In Federal space, an initial submission of the design documents plus two onboard reviews are included. If Level 2 DID’s are requested by the customer agency, they should be funded with an RWA.