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MEMORANDUM FOR ASSISTANT REGIONAL ADMINISTRATORS

FROM: WILLIAM H. MATTHEWS *William H. Matthews*
ASSISTANT COMMISSIONER – PV

SUBJECT: Pricing Policy Clarification #20
Basement Storage

The attached pricing policy clarification provides guidance on creating a separate rent rate for basement storage space.

The policy clarification was drafted in coordination with the Regional Pricing Points of Contact (POC's) and the Pricing Network. A copy of this policy clarification is being provided to the Regional Pricing POC's for dissemination within each Region.

If you have questions regarding this policy clarification, please contact Steve Peters at 215-446-4670.

Attachment

Cc: Assistant Commissioners, Regional PT Directors, Regional Pricing POC's



Effective Date: October 1, 2005

Purpose: Policy Clarification on Basement Storage Pricing

Existing Desk Guide Language:

Desk Guide Section 3.1, contains the current policy on building classes, space usage and pricing and appraisal guidelines.

Clarification:

Delete the existing language in Section 3.1 and replace with the attached language.

Attachment

OBSOLETE

3.1 Building Classes

Pricing has four space classes: general use, warehouse, parking, and unique. For general, warehouse, and unique, the space classification works at the building level, and is determined by predominant use. The space class parking can be used for separate parking structures and for surface parking. It can also be used to identify the parking area within a building that is designated as one of the three other classes. A building's predominant use determines its class; if the space is 70 percent or more of a particular class, the building will be designated as that class. The four space classes are not to be confused with the space classification system used previously to distinguish between, and bill on the basis of, different types of tenant space build-out.

General Use

Most space falls into this class. It includes general office space and special-purpose spaces such as courtrooms, laboratories and computer centers. It replaces the office space (Office), special spaces (SP-1A, SP-1B, SP-2, SP-3A, SP-3B, SP-4, SP-5A, SP-SB, SP-5C, SP-6), and office storage space (ST-1) categories that existed under the previous pricing system.

The impact on the Rent for federally owned and leased space is as follows:

- Federally owned Space - The shell rate for a federally owned building with a general use class will be appraised based upon an office use.
- Leased Space - The shell rate is based on actual lease contract costs and is a pass-through.

Warehouse

This building class is to be used when the predominant use of the space is 70 percent or more warehouse space. The impact on the Rent for federally owned and leased space is as follows:

- Federally owned Space - The shell rate for a federally owned building with a warehouse class will be appraised based on a warehouse use.
- Leased Space - The shell rate is based on actual costs and is a pass through.

In both cases the tenant improvement (TI) allowance is reduced to 20 percent of the general allowance.

General Use and Warehouse

The pricing consequence of the distinction between general use and warehouse buildings is that there is no "office" rental rate applied to warehouse; PBS recovers cost on space built-out as offices in a warehouse through the amortized payment for the tenant improvement allowance which covered the cost to construct the offices. (Conventional office shell elements are not present in a warehouse building, so the tenant allowance in the case of a warehouse must cover all of the build-out costs for the office.)

In instances where there is a large amount of office space and a large amount of warehouse space in the same building, it is possible to have a separate rate for each type of space. Each rate would be based on an appraisal. In this instance, either create 2 separate Occupancy Agreements (OA's), one for each type of space or blend the general use and warehouse rates based on applicable square footage and indicate in the OA the original appraisal amounts for each type of space in an Ad Hoc clause. In cases where both warehouse and general use space are present, the tenant improvement allowance is calculated by providing the full general and custom allowance for the general use space and only 20% of the general allowance for the warehouse space.

Basement Storage

When basement storage space is provided in a general use building, it is possible to charge a lower rent (shell and/or operating costs) for the basement storage space than for the general use space. In this instance, consult with the Regional Appraiser for a determination of the appropriate charge for basement storage space. If the Regional Appraiser indicates there is an absence of market data, basement storage space may be charged at 50% of the general use appraisal. If basement storage space exists, the OA should reflect the separate charge in an Ad Hoc clause.

Parking

This building class comprises stand-alone parking structures or surface lots (for which separate building numbers are assigned) and parking at buildings with a general use or warehouse class (for which the parking and the associated building share the same building number). Parking is charged based on a per-space rate as opposed to a per-square-foot rate. PBS distinguishes between structured and surface parking types. Within these two categories, separate rates may be charged for reserved and unreserved parking spaces. This can be done one of two ways in the OATool:

- Use a separate OA for each rate; or
- Use one OA with a blended rate based on number of spaces at each rate.

Basic security is not applied to parking rent because the OMB approved basic security charge basis excludes parking. Building specific security countermeasures recommended by the Building Security Committee (BSC) for parking associated with a Federally-owned building (one building number) are recovered through the building specific security charge distributed over the rentable square footage in the building (Federal occupancy). Building specific security countermeasures recommended by the BSC for a stand-alone parking structure or surface lot (separate building number) may be recovered through monthly miscellaneous billing adjustments to the parking only CBR's. The building specific security cost for a stand alone parking structure or surface lot follows the same pricing methodology as detailed in Section 3.2.6 Security Charges, Building Specific Security Charge, except the percent of the total cost attributed to a customer agency is based on spaces rather than feet.

The stipulations of the parking agreements for buildings, both owned and leased, that are in PBS's inventory should follow the prevailing practices in the assets' local markets at the time the agreements are signed. Generally, the prevailing practice in most markets is for annual adjustments of parking rates. If this is the case in the local market for an asset at the time an OA is signed, then the OA should reflect these adjustments. In another market, especially a suburban or a soft market, the prevailing practice might be not to charge for parking. In this case, no parking charges are applied to PBS inventory buildings.

Unique

Unique space is distinguished from the other three building-level classes to allow for special pricing arrangements when none of the other classes is appropriate. Some examples of unique space are border stations or bird sanctuaries.