



MAR 24 2003

MEMORANDUM FOR ASSISTANT REGIONAL ADMINISTRATORS

FROM: WILLIAM H. MATTHEWS *WH Matthews*
ASSISTANT COMMISSIONER – PT

SUBJECT: Pricing Policy Clarification #6
Clarify Joint Use Space Charges

The attached pricing policy clarifies the joint use pricing methodology.

The clarification was initiated based on regional requests to clarify joint use pricing methodology. The clarification was drafted in coordination with the Regional Pricing Points of Contact (POC's) and the Pricing/Billing Panel. A copy of this clarification is being provided to the Regional Pricing POC's for dissemination within each Region.

If you have questions regarding this clarification, please contact the National Pricing Points of Contact, Mary Gibert at 202-501-0096 or Kevin Rothmier at 816-926-1100.

Attachments

cc: Assistant Commissioners, Regional PT Directors, Regional Pricing POCs



Effective Date: October 1, 2003

Purpose: Policy Clarification #6 on Joint Use Charges

Desk Guide 3.2.11 Joint Use Charges, pages 3-26 through 3-28

Existing Desk Guide Language:

Chapter 3, Pricing Conventions and Determining Rent, Section 3.2.11 Joint Use Charges, Pages 3-26 through 3-28 includes the current policy regarding joint use space charges.

Clarification:

The policy as it relates to joint use charges has been clarified. Replace Section 3.2.11 in its entirety with the Attachment.

Attachment

3.2.11 Joint Use Charges

Joint use charges are rents and operating costs for specific amenities, such as government-controlled cafeterias, Randolph-Shepherd Act blind stands, childcare centers, fitness centers, Public Health Service wellness units, shared conference rooms, and visitor parking spaces. The costs for these amenities are summed and distributed among all federal users on any one of three bases – building, lease, or facility – directly in proportion to each user’s percentage of federal occupancy. Joint use charges apply whether or not employees of the customer agencies elect to use the joint use facilities. Joint use amenities are “public good” facilities to which the applicable federal community must contribute.

Joint Use User Base

Pricing policy allows for a more broadly defined user base than the building which houses the joint use space, for distribution of joint use charges, where warranted. If a building houses amenities, such as childcare center or cafeteria, used by customer agencies in neighboring buildings, these customer agencies may be included in the user base. However due to present STAR limitations, joint use charges can only be distributed over a user base defined by the boundaries of a lease, building or facility which houses the joint use amenities. The STAR system limitation does not preclude manually creating a wider user base and adding or adjusting CBRs to distribute joint use charges over the wider user base. Although PBS policy allows for the distribution over a more widely defined user base, until STAR limitations are corrected there is no requirement that the distribution be undertaken manually and then entered into STAR. The single exception is the case of freestanding structures for childcare centers or separate joint use buildings that are physically disconnected from their user base. In this case, the charges for the joint use amenity are distributed via creation of new CBRs, posted to the joint use building number, for each user in the user base. PBS must notify the customer agencies of the charge by letter and include in the customer agencies’ OAs. Regions should conduct periodic reviews of the user base and make adjustments as necessary.

Joint Use Space & STAR & Rent Bill

Joint use space charges are listed as line number 12 on the customer agency’s Rent bill. Although the joint use charges appear as a single line on the Rent Bill, the charges actually comprise shell rent, amortized tenant improvements, taxes and operating expenses. Joint use charges are subject to escalations. Security charges and the PBS lease fee are automatically assessed within STAR and should not be included in the joint use rate.

The construction of the joint use charge cannot at present be undertaken in STAR. As stated above, STAR treats joint use as a single rate. STAR does not compute joint use; rather it is entered into STAR as a single rate at the building, lease, or facility level. The single rate represents the aggregate charge for all joint

use amenities. In the interest of simplicity and consistency, until STAR is enhanced to treat joint use as a CBR, with the individual components that contribute to the overall joint use rate resident within STAR, the following pricing convention for joint use space within a building, lease or facility will be followed:

Federally Owned Space

The joint use charge comprises the following components:

- “Shell” rate derived from the most recent appraisal within the Appraisal Data System (ADS) or a projection from a previous appraisal.
- Operating costs derived from the most recent appraisal within ADS or the escalated operating cost if a projected shell rate is used.
- An amount equal to the General TI allowance plus a Tier 3 Customization allowance amortized over 10 years.

Federally Owned Parking

The joint use charge comprises the following components:

- Rate per space derived from a current year appraisal within the ADS or a projection from a previous appraisal.

The shell, operating cost and TI amortization for federally owned space are reset each year at the beginning of the fiscal year using the following methodology:

- Shell Rate – Rate derived from the most recent appraisal or current projected rate in ADS.
- Operating Costs – If the shell rate is derived from the current fiscal year in ADS, then use the operating cost, which corresponds with that value. If the shell rate is from a previous fiscal year, the operating cost should be escalated to the current fiscal year to arrive at the reset rate.
- TI – The TI composed of a general and Tier 3 customization allowance is recalculated to reflect the current year TI allowance, the geographical adjustment factor, and amortization rate.

The justification for this methodology is that PBS has the responsibility for continuously keeping modern the equipment and personal property used in childcare centers, cafeteria, and Randolph Sheppard stands and so must recover these costs.

Leased Space and Leased Parking

The joint use charge comprises the following components:

- Lease cost for the joint use amenity.
- Any additional services not included in the lease.

Rates are escalated annually at the beginning of the fiscal year based on the terms of the lease.

Joint Use and the Tenant Improvement Allowance

Two separate cases exist regarding the use of the tenant allowance for the build-out of the joint use amenity.

- **Multiple Agencies in a Building, Lease or Facility**

PBS or the lessor funds the build-out of the shared amenities. Since the amenities are funded in their entirety, regardless of TI allowance, there is no need to distinguish between an allowance and an agency lump sum amount.

- **Single Agency Within a Building**

In the case of a single customer agency occupying a building, the amenities are for the exclusive use of the sole customer agency and typically the customer agency plays a large role in determining the composition and size of the amenities. PBS's policy is to treat these amenities as extensions of the customer agency's space. The amenity space is afforded the same per square foot tenant improvement allowance as the customer agency. The charge is passed entirely onto the single occupying customer agency.

Pricing Methodology for Stand Alone Joint Use Facilities

The joint use charges follow one of the two methodologies outlined above, depending on whether the facility serves multiple agencies or a single agency.

Joint Use and Warehouse Space

If the space is entered into STAR as "Space Type" WAREHOUSE it will not be included in the tenant agency's prorata share of space for distribution purposes. No joint use charges are assessed for WAREHOUSE space type in STAR.

A spreadsheet to assist you in calculating the joint use rate for the various joint use methodologies can be found at Portfolio's Insite at the following address:
http://insite.gsa.gov/_pbs/pt/opm/PBS_App_System.htm