

GSA PBS Client Enrichment Series



Topic: *What Goes Into My Agency's Rent Estimate?*

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Additional Resources:

Rent on the Web - www.gsa.gov/rentontheweb

eOA - www.gsa.gov/eOA

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

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

Q1. Once the estimate is made by GSA, how soon are tenant agencies provided a copy of the estimate?

- A. As soon as we receive approval from OMB. When we complete formulation of the Rent Estimate we provide our data to OMB (typically early May). After working with them to clear any outstanding questions we receive approval and distribute the data to customers (typically July / August).

Q2. How soon are tenant agencies advised of increasing rent or changes in our OA rental rates?

- A. Anticipated increases in Rent will be factored into your Rent Estimate and will be provided for your agencies budget submission in September. There are instances however where our data misses a particular change due to timing or another issue. In these instances the Exhibit 54 process is available for you to account for any changes that need to be accounted for.

Q3. How can I access ROW?

- A. Please visit www.pbs-billing.gsa.gov to register and gain access to ROW. Additional info can be found at www.gsa.gov/rentontheweb

Q4. What are the key factors for the appraisal which cost more than the OA?

- A. Appraisals are performed by independent credentialed appraisers. As they are based on the prevailing real estate market conditions, the outcome would solely depend on how that particular real estate market is doing. If the market is better than the previous appraisal date, the rates would most likely be higher and if otherwise, the rates would be lower.

Q5. Are square foot comparables taken from private sector rents, other government owned properties, or a blend?

- A. If the question is do we use comparables from government buildings or private sector buildings.... Our preference is using the comparables from private sector building rather than government buildings.

Among a number of reasons for not using government leases is that we will be competing with ourselves. And, usually government leases contain complicated clauses not available to appraisers.

Q6. How do we get added to the distribution list to get the rent estimate deliverable?

A. Send a request to gsa.pbs.revenue.division@gsa.gov with your name, email address, and agency.

Q7. Does GSA communicate the operation cost / escalation / adjustment amount to tenant agencies?

A. The Operating Cost escalation factor for each fiscal year can be found in the Exhibit 54 template on the SUM tab:

	PY		CY		BY	
	SQ FT	\$	SQ FT	\$	SQ FT	\$
OMB approved inflation factor:		1.90%		2.00%		2.00%

Q8. How often will the Rent Estimate be updated? Are these rents based on the Consumer Price Index?

A. The Rent Estimate is a single snapshot per year using the data we have on hand to project rent through the budget year. In general, Rent Estimates are based on the rates built into your existing occupancy agreements, and where those rates expire, new appraisals are applied to owned occupancies and estimated lease rates are applied to leased space. The estimate also factors in changes in your agency's footprint.

Q9. DRMS, ROW, etc etc...which system is the system of record? Which one will give me the most accurate rent estimate for my agency?

A. The Rent Estimate data is delivered to the POCs in the Rent Estimate distribution list. The same Base Rent Estimate data is also uploaded to Rent on the Web. There is no external Rent Estimate system for customers to access the data, though GSA is exploring making it available through a D2D environment (like the PBS Customer Dashboard) or other OMB MAX authenticated site.

Q10. What is the total percentage of govt Owned to Govt Leased?

A. As of the year end FY 2020, 47% (162M) rentable square feet was in Federally Owned space while 53% (185M) rentable square feet was in Leased space.

Q11. I don't see where GSA captures Shell Rent changes in the Rent est process, and have seen higher renewal option rates not reflected in the RentEst - Does GSA have a method to capture these - am I speaking to an anomaly?

A. It is typically more cost effective for the government to pursue long term new/replacing leases rather than renewals and short term extensions. It is a PBS initiative to reduce the number of renewals and extensions - however they cannot always be avoided, and in some cases are necessary. The Rent Estimate may reflect a renewal or extension if it is known two years out, but these are minimal. Due to timing, there will be some leases that are renewed/extended (potentially at a higher rate) that were not projected as such in the Rent Estimate.

Q12. The OA numbers are not always listed for inventory changes and makes it difficult to match up to our draft OAs on record, or request a copy of the draft OA from GA to verify for the Exhibit 54 reporting. IS this something that is being worked on to ensure OA numbers are always included?

A. All inventory changes in Federally Owned space, as well as expansions, reductions, and terminations in leased space will include the OA Number. Only some New OAs in leased space will be missing the OA number. Typically, this is because the New Lease Number has not yet been established. A draft OA

may exist, but without the lease number, it will not be tied to the project where the RentEst is capturing the inventory change. Recently, we implemented a system update that allows us to manually identify the OA Number and generate an inventory change using the details from the draft OA. We expect this functionality to be leveraged more frequently moving forward.

Q13. GSA asking - For Fed Space - if market changes after the Rent Est is sent out - will GSA consider a rent reduction, e.g. Pandemic office space market rates are reducing in SF, but Rent Est is now higher than Market?

- A. For budgeting purposes and in coordination with the OMB, we appraise our buildings about 2 - 3 years ahead of the target year. For example our next appraisal cycle or FY24 cycle will start early in 2021. All the appraisals are performed based on the market condition as of the date of the appraisal. Then the initial appraised rates are levelized using the market surveys for a 10 year period. Our rates don't change subsequently based on the future market conditions. They stay the same regardless of rents going up or down. This is the predictability factor of our rent system.

Q14. If an agency enters into an additional occupancy agreement (lease) in July, is this factored into Exhibit 54 prior to distribution to the agency?

- A. The RentEst is based on all occupancies that bill in March plus anticipated space changes that our regional offices throughout the country submit. If the additional occupancy agreement occurring in July has been planned then it should already be included in the RentEst as an anticipated space change and therefore included in the pre-populated Exhibit 54 provided by GSA. It is important for agencies to review their RentEst distribution to ensure that the data reflects occupancy agreements appropriately. Any omissions from the RentEst data, or updates that occur after the RentEst data is compiled, should be captured in your budget submission through the Exhibit 54 process.

Q15. Have there been any audits performed on the Rent Estimate? What are the review procedures performed by OMB Examiners on the rent estimate?

- A. OMB reviews the topline estimates at both the agency and bureau levels. GSA is typically asked to support any significant increases/decreases with OA level details.. OMB also reviews and approves all major capital projects and prospectus leases - the rent impacts of those projects and lease replacements are a frequent item of discussion as they can have significant impacts to the tenants involved.

Q16. Please clarify - Is OMB and GSA sending out the RentEst to the agencies?

- A. GSA distributes the annual RentEst to agencies after receiving approval to do so by OMB. OMB does not provide the estimates.

Q17. Will the eOA Tool ever allow in the near future for bureaus to view Draft OAs? Currently , I need to burden GSA contacts to provide me with these draft OAs for Exhibit 54 verification.

- A. In the near-term, there is no plan to change eOA to be able to view a Draft OA; funding issues are affecting what is currently feasible. GSA is considering longer-term solutions that may help with this.

Q18. How can I get access to eOA?

- A. See our eOA website - www.gsa.gov/eOA

Q19. Why do we see so many revisions in our charges? We were hit with over \$1M in past charges and over \$300k in tax escalations (FY20) that we were not able to plan for? (and our total rent budget is around \$50M).

- A. We would like to address this directly with the session participant who asked the question. Please reach out to us at michael.buonocore@gsa.gov and shawntoria.fontenot@gsa.gov

Q20. From the time I print a new FY OA to the following FY, some OAs will have 4 or more new versions. What causes a new version to be issued? Operating costs seem to rise and fall randomly, month by month. Are these changes reflected in the OA, or just done randomly?

- A. Each time a rental change is added to an OA, including regular scheduled increases such as annual operating cost adjustments, annual Joint Use and Security updates, or Billing Adjustment, the system generates a new version. Most versions are administrative and are not issued to the agency unless they require an updated signature. We recognize the confusion caused by the current system versioning and are addressing this issue in our new system development.

Q21. Are rental rates based on each geographic area? Which places in the US have the Lowest and Highest rental rates?

- A. Each appraisal is based on a comparison of a specific subject building with competing buildings within the market where that building is located. As such, buildings in vibrant and active markets have higher rates than the ones in a not so active market. As far as the range, some buildings in tertiary markets have single digit appraised rates. In contrast, our buildings in vibrant markets such as San Francisco, and parts of the Northeast corridor have rates near \$50 or higher.

Q22. GSA question - Are the increased operating costs based on the enhanced cleaning for COVID incorporated in fed. Occupancy Rent Est for FY22, when customers are responsible for that cost component? What about for leased occupancies?

- A. The FY 2022 Rent Estimate data includes estimated charges related to enhanced COVID cleaning for both owned and leased occupancies. CARES Act funding is covering these costs through FY 2021, so the costs are included in the rent estimates starting in FY 2022.

Q23. How are increased costs for COVID cleanup being estimated, and in what year will they be in place?

- A. The FY 2022 Rent Estimates include costs for both standard and one time cleaning and disinfection, as well as improving HVAC ventilation and filtration. These costs are estimates, as very little data was available for determining the current and future costs of each component.

Q24. When do the “enhanced COVID costs” become pass through?

- A. FY 2022.

Q25. Does the most recent Exhibit 54 that shows FY22 have the COVID cleaning cost estimate in there?

- A. Yes, the prepopulated Exhibit 54 that was delivered with the Rent Estimate in August contains the COVID cleaning cost that is estimated to bill in FY 2022.

Q26. Is there an estimated rate used for taxes?

- A. The Rent Est currently estimates taxes for leased occupancies based on past actuals, plus the OMB provided escalation factor.

Q27. When the increased new appraised rent hits ROW, very often, the operating expense rate decreases. Can you comment on this?

- A. For the most part, shell rates and operating rates move in the same direction when there is a new appraisal. Looking at appraisals from FY20-22 where overall rent was increasing, operating rates decreased 10% of the time.

Q28. This year we received an increase of \$108K for a tax escalation on our May bill. What is the tax escalation, and was there a way to know in advance to ensure funding is available? Katrina King (please respond via email - katrina.king@nrc.gov)

- A. Leases typically contain a level of 'base tax' that is part of the monthly billed amount. During the year, if the municipality submits a tax bill that is over or under that 'base tax' amount then a tax escalation is billed. GSA does not have a way of estimating what the exact tax will be from the municipality.

Q29. The Rent Estimating process has gotten much better in the past 15+ years. When a request comes from the bureau (without a draft OA number), can a bureau contact name be provided for follow up? Our bureau has lots of potential folks that could ask such a question, but I have the sole responsibility to complete the Exhibit 54, so a contact name for such requests would be extremely helpful.

- A. PBS records a customer POC for each project in their inventory system (Rexus). We can provide that POC on request.

Q30. Where is that tax escalation spreadsheet in your set?

- A. The estimated tax escalation is in the Lump Sum Taxes column of the Base Rent Estimate file.

Q31. How can I be added to the Rent Estimate Distribution list?

- A. Send a request to gsa.pbs.revenue.division@gsa.gov with your name, email address, and agency.