

Foundations of Real Estate Management™

Module 2: The Well-Versed Real Estate Manager

Session 1: Emergency Preparedness (45 minutes)

Objectives:

- List at least 10 natural and man-made emergencies that are probable, 10 that are possible, and 10 that are unlikely to occur in your building.
- Describe the steps to create a comprehensive plan for your building.
- List at least 10 steps to prepare for a building evacuation.
- Describe three methods of communicating the emergency plan to the building's tenants.

Emergency Planning

- Planning v. implementation v. disaster recovery

Planning

- Constituents
 - Tenants
 - Vendors
 - Property management
 - Government entities
 - More...
- Proactive v. reactive
- Building-specific plans
- Threat assessment
 - Natural emergencies
 - Man-made emergencies
 - Probable v. possible v. unlikely
- Plan considerations
 - Communications plan
 - Sheltering in place
 - Emergency Operations Center (EOC)
 - More...
- Plan specifics
 - Information and procedures
 - Contact information
 - Contingency planning
 - More...

Plan Implementation

- Practice, test
 - Evacuation drills
 - Best practices
- Review, refine
- Practice again
- Educate

Disaster Recovery

- Best practices for managing disaster recovery

Communicating the Plan

- To tenants, employees, vendors, etc.
- Communications vehicles
 - Paper, posters, etc.
 - Web
- Media inquiries

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Session 2: Tenant Improvements and Capital Projects (60 minutes)

Objectives:

- Explain the steps of a tenant improvement process from the leasing negotiations between the landlord and tenant to the payment of the contractor's retainer invoice.
- List three methods the construction manager uses to ensure construction bids reflect "apples to apples" comparisons.
- Describe how to integrate recycling into the construction process.

Tenant Improvements

- Lease negotiation
 - Type and scope of TI
 - Turn-key
 - Construction allowance
- Space planning
 - Programming meeting
 - Space design
- Budget bidding
 - Work letter
 - Architectural construction drawings
 - Mechanical, electrical, plumbing construction drawings
- Soliciting bids
 - Bid form
 - Add alternates; deduct alternates
- Evaluating bids
 - Cost
 - Construction schedule
 - Quality
 - Other
- Project management
 - Construction manager
 - Other vendors
 - PERT chart
- Inspections
 - Types of inspections
 - Certificate of Use and Occupancy (U&O)
- Changes and clarifications
 - Change order
 - Requests for Information (RFI)
 - Submittals
 - Punch list
- Payments and liens
 - AIA construction document
 - Retainer
 - Lien

- Lien release
 - Partial
 - Final
- Tenant-run TI's

Outside the Tenant Improvement Process

- Building standards
- Building's construction rules and regulations
- Green considerations
 - LEED®
 - Materials
 - Recycling
 - Other

Capital Improvements

- Examples
 - Common area renovation
 - Roof replacement
 - More...
- Managing capital improvements

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Session 3: Accounting and Reporting (90 minutes)

Objectives:

- Differentiate between accrual-based and cash-based accounting methods.
- Illustrate the technique for collecting accounts receivable balances from tenants.
- Describe the purpose of these documents: chart of accounts, balance sheet, income statement, general ledger, check register, rent roll, tenant ledger/aged accounts receivable report, security deposit ledger, cash receipts journal, executive summary, variance report, and stacking plan.

What is Accounting?

- Double-entry accounting
 - Debit
 - Credit
- Purposes of financial statements
- Accrual accounting
- Cash-based accounting

Internal Control

- Internal control practices
- Authorization levels
- Audits
 - Supervisory audit
 - Operational audit

Collecting Rents/Accounts Receivable

- Grace period
- Lockbox service advantages
- Float v. wire transfer
- Best practices for collecting rents
- Collection efforts
 - Late fee
 - Interest
 - Default
 - Collection suit
 - Eviction
- Resolving accounts receivable issues
 - Over payment
 - Under payment
 - No payment/delinquent
 - Tenant bankruptcies
- Bill-backs
- Tenant adjustments

Paying Bills/Accounts Payable

- Cash flow
 - Funding request
 - Depository account
 - Operating account
- Vendor agreements
- Relationship with accountant
 - Best practices
- Types of expenses
 - Operating expenses
 - Utilities
 - Real estate tax
 - Other
 - Non-operating expenses
 - Mortgage
 - Capital expenses

Accounting Software

- Examples
- Advantages

Accounting Reports

- System-generated reports
 - Chart of accounts
 - Balance sheet
 - Income statement
 - Trial balance
 - General ledger
 - Check register
 - Rent roll
 - Tenant ledger/aged accounts receivable
 - Security deposit ledger
 - Cash receipts journal
- Property manager-generated reports
 - Executive summary
 - Variance report
 - Stacking plan

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Session 4: Base Rent and Operating Expense Recoveries (45 minutes)

Objectives:

- Differentiate between gross, net, and hybrid operating expense recovery models.
- Describe the steps associated with the operating expense recovery process, including establishing the base year, calculating and invoicing tenants for the operating expenses, and resetting the tenant's prepayment of operating expenses.
- Describe the process associated with grossing up a tenant lease.
- Identify the three major processes tenants use to control their operating expense pass through.
- Explain the three primary methods for calculating base rent.
- Tell how operating expenses and base rent are treated differently in GSA leases compared to conventional leases.

Lease Agreement

- Base rent component
 - Debt service
 - Return on investment
 - Profit
- Operating expense component
 - Tenant's pro-rata share

Types of Leases

- Leases without expense recovery provisions
- Gross leases
 - Base year/base stop
 - Future years/pro-rata share
 - Rent calculation examples
- Net leases
 - Pro-rata share of expenses
 - Rent calculation examples
- Hybrid recovery leases
 - Single net
 - Double net
 - Triple net

Escalations or CAM Charges

- CAM (Common Area Maintenance)
- Escalations/operating expense reconciliation
 - Calendar v. fiscal year
 - Affect on calculations
 - Lump sum v. monthly payment
 - True-up
- Gross-ups

Operating Expense Adjustments

- Lease negotiations
 - Exclusion
 - Cap
 - Percentage cap
 - Dollar cap
 - Cap on controllable expenses

Calculating Base Rent Increases

- Fixed amount
 - Percentage increase
 - Monetary increase
- Consumer Price Index (CPI)
 - Considerations
 - Calculation examples

Miscellaneous Income

- Sub-meter billings
- Parking charges
- Antennae/satellite charges
- Storage

GSA Leases v. Traditional Leases

- Base rent
- Operating expenses
- Real estate taxes
- Supplemental Lease Agreement (SLA)

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Session 5: Due Diligence (30 minutes)

Objectives:

- Define due diligence and describe the three goals of the due diligence process
- Describe the purpose of an estoppel certificate and a subordination, non-disturbance, and attornment (SNDA) agreement.

Due Diligence Goals for Buying and Selling Real Estate

- Uncover major defects
- Uncover minor defects
- Update underwriting budget

Due Diligence Steps

- Using engineering firms
- Inspections, reports, documents from PM and owner
 - Leases
 - Commission agreements
 - Vendor contracts
 - Financial statements
 - More...
- Property Condition Assessment (PCA)
 - Inspections
 - ADA compliance
 - HVAC
 - Elevator
 - Roof
 - More...
 - Tenant interviews
- PCA report
- Deal decision/revision/re-negotiation

Sale Process

- Client representation
 - Representing the Seller
 - Fiduciary responsibility to owner
 - Best practices for managing paperwork
 - Representing Both Seller and Buyer
 - How to protect interests of both parties
- Estoppel certificates
 - Included information
 - Tenant review/signature
 - Managing the estoppels process
- SNDA agreement

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Session 6: The Business Plan (30 minutes)

Objectives:

- Describe the difference between a business plan and a budget.
- Define zero-based budgeting and describe how zero-based budgets differ from traditional budget models.

Budget v. Business Plan

- Budget: financial plan
- Business plan: strategic planning document
 - Goals
 - Strategies
 - Tactics
 - Metrics/benchmarks
- Concepts and tools
 - Zero-based budgeting
 - Budgeting software
 - Avoiding pitfalls and errors

Budget

- Income
 - Rent
 - Other income
- Expenses
 - Operating expenses
 - BOMA's *Experience Exchange Report (EER)*
 - Other budgeting preparation tips
 - Leasing expenses
 - Leasing commissions
 - Tenant improvement costs
 - Calculation examples
 - Capital expenses
 - Property Condition Report (PCR)
- Reforecast budget

Submitting Your Plan to the Owner

- Tips for reviewing budget and business plan
- Rewarding team members

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Session 7: Safety and Environmental Issues (45 minutes)

Objectives:

- Describe the purpose of each of the 11 OSHA compliance programs covered in this session.
- Describe the property manager's basic actions to comply with each of the EPA compliance programs: asbestos, mold, indoor air quality, underground storage tanks, mercury, electronics waste, and refrigerants.

Safety

- OSHA compliance
 - Site-specific compliance plans
 - Required compliance programs
 - Hazard communication (HAZCOM)
 - Fire safety
 - Exit routes
 - Walking/working surfaces
 - Medical and first aid
 - Other compliance programs
 - Lockout/tagout
 - Electrical hazards
 - Personal protective equipment
 - Hearing conservation
 - Confined space entry
 - Blood-borne pathogens
 - Recordkeeping
 - Training and education

Environmental Issues

- Environmental Protection Agency (EPA)
- Asbestos
 - Friable v. non-friable
 - Operations and Management (O&M) plan
 - Asbestos remediation
 - High Efficiency Particulate Air (HEPA) filter respirators
 - Certified Industrial Hygienist (CIH)
- Mold
 - Conditions that support mold growth
 - Mold remediation
 - EPA recommendations
 - Indoor air quality
 - Indicators of IAQ problems in a building
 - Causes/contributing factors
 - Inadequate ventilation
 - ASHRAE Standard 62-1989

- Chemical contaminants from indoor sources
 - Volatile organic compound (VOC)
 - Chemical contaminants from outdoor sources
 - Biological contaminants
- Building investigation procedures
 - Occupants
 - HVAC system
 - Pollutants
 - Contaminants
- Solutions to IAQ problems
 - BOMA position—target source of pollutants
 - Other
 - Ventilation
 - Air cleaning
- Underground storage tank
 - Resource Conservation and Recovery Act (RCRA)
 - EPA regulations
- Mercury
 - Uses in commercial buildings
 - EPA recommendations
 - U.S. Food and Drug Administration (FDA)
- Electronic waste
 - Recycling programs
- CFC- and HDFC-containing refrigerants
 - Clean Air Act regulations
 - Freon production

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Session 8T: Property Tour (Optional)

Objective:

- Visit the engineering office and any non-office spaces.

Tour Highlights

- Engineering office
- Non-office spaces
 - Retail
 - Cafeteria
 - Security office
 - Etc.