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CAM, Tax, and Insurance Recoveries for the Property Manager

#IREMforward

Welcome!

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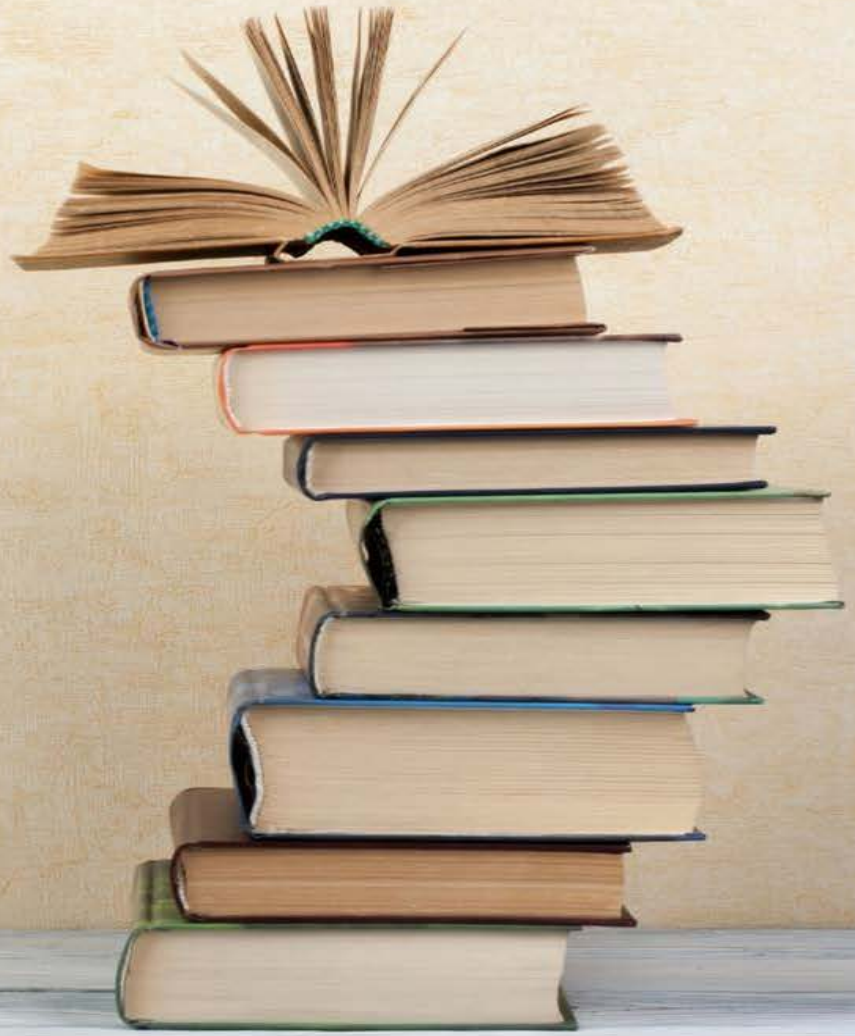
Today’s Topics

01	02	03	04	05
Common Areas and Methods of Calculation	Straight Prorata Share	Determining Retail CAM Pools	95% Occupancy and Base Year Expense	CAM Caps and Reconciliation Deadline

FORWARD

Definitions

- Common Area Maintenance (CAM)
- Operating Expenses
- Standard Operating Costs
- Direct Expenses
- Pass-through
- Recoverable vs. Non-Recoverable
- Allocable vs. Non-Allocable



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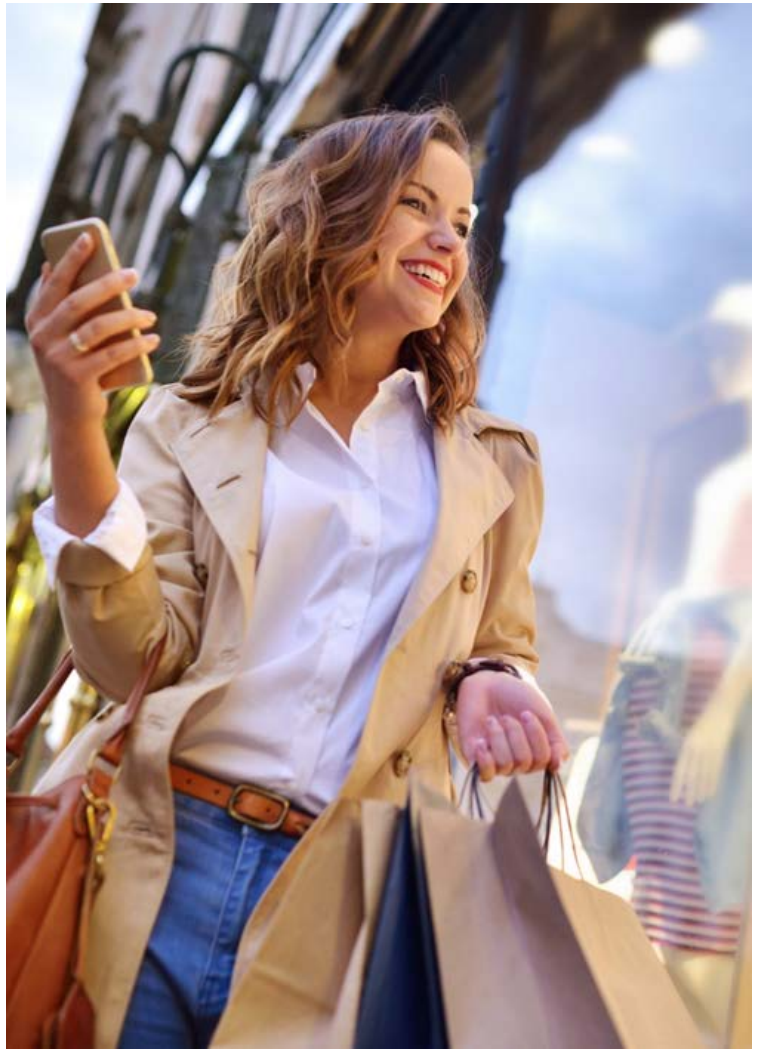
FORWARD

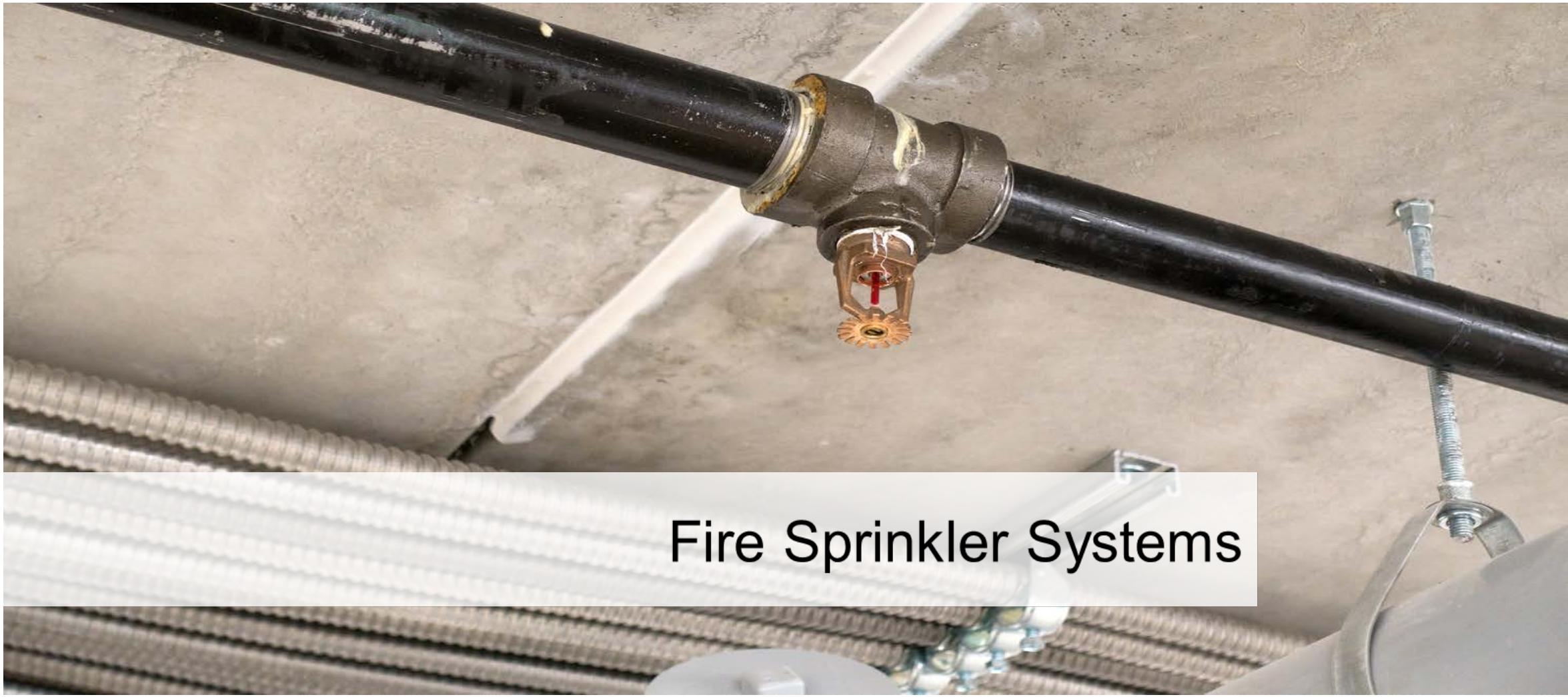
Common Areas
Retail



- Parking areas
- Driveways
- Entrances and exits
- Landscaped areas
- Sidewalks
- Retaining walls
- Trash enclosures
- Open patios
- Roofs

FORWARD

Common Areas
Industrial (in addition)



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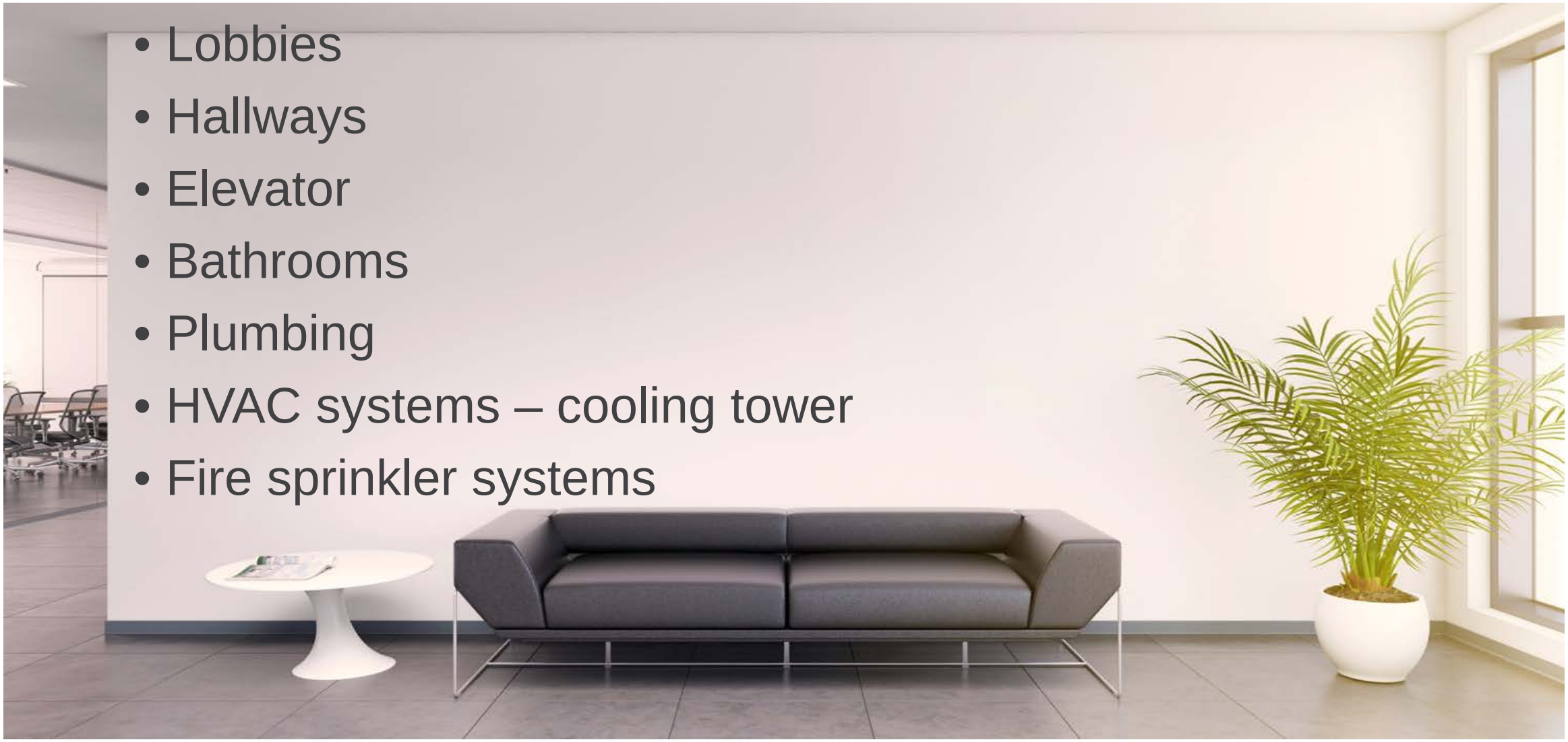
Common Areas
Office (in addition)



- Lobbies
- Hallways
- Elevator
- Bathrooms
- Plumbing
- HVAC systems – cooling tower
- Fire sprinkler systems

FORWARD

Q&A

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Methods of Calculation
Retail

Straight prorata share

- Tenant sf / total center sf

CAM Pool

- Tenant sf / expense pool sf

Ground Lease

- Lessee’s acreage / total center acreage

FORWARD

Methods of Calculation
Industrial

- Straight prorata share (tenant sf / total center sf)

FORWARD

Methods of Calculation
Office

Rentable vs. Useable Square Feet

- Total sq ft of common hallways, bathrooms, elevator, electric room, janitorial closet, etc. is measured
- Useable sq ft is grossed up to accommodate the common hallways, bathrooms, elevator, electric room, janitorial closet, etc.)

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Methods of Calculation
Office

Total Building 100,000 sf
Common Areas total 15,000 sf

15,000 / 100,000 = .15

Core Factor is 15%

Tenant Rentable is 10,000 sf
Core Factor 15%

10,000 x 115% (or 1.15) = 11,500 sf

Tenant Useable is 11,500 sf

- **Prorata share (tenant useable sf / total building sf)**

FORWARD

Q&A

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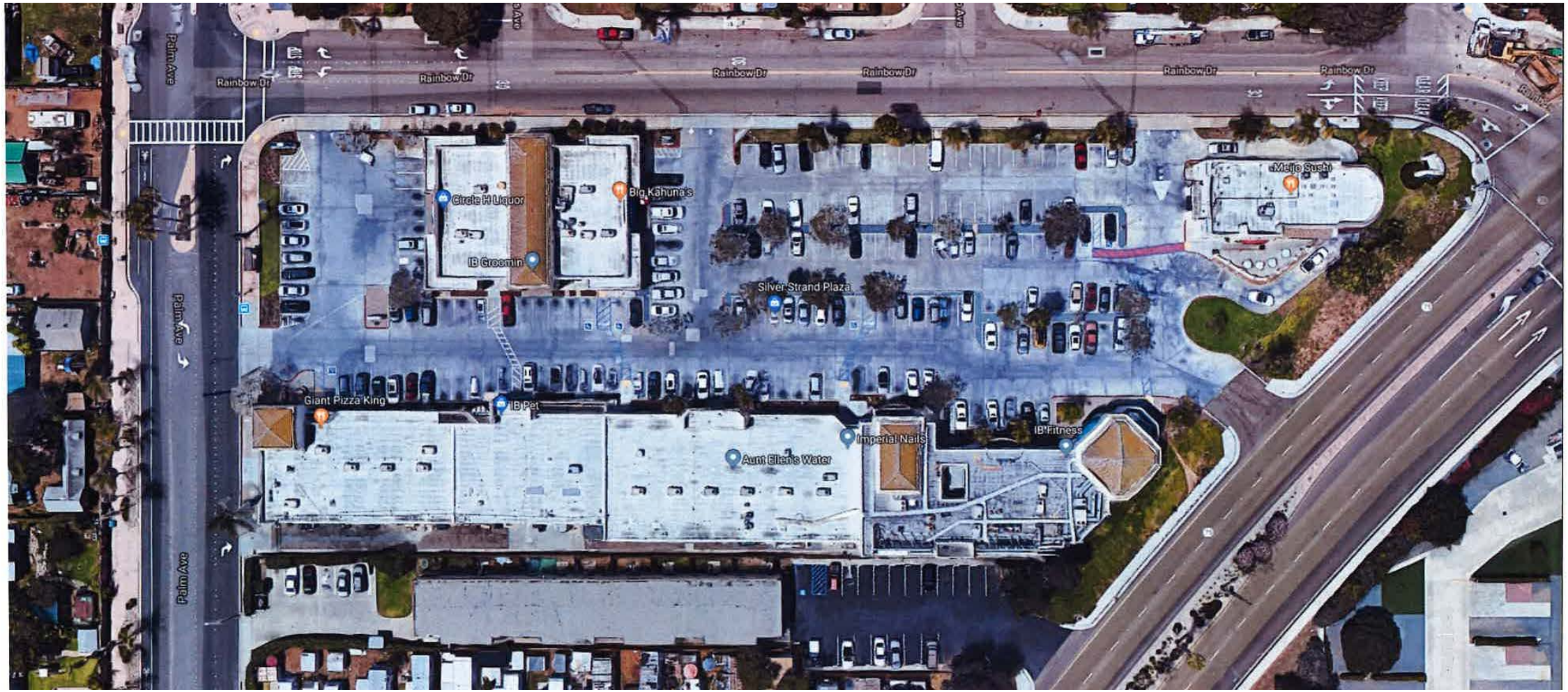
FORWARD

Straight Prorata Share



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January 1 - December 31, XXXX	Totals	
Allocable Expenses		
Power Washing - Exterior	2,948.00	$0.01
Day Porter Supplies	459.36	$0.00
Cleaning Contract - Day Porter	11,814.00	$0.02
Street Light Expense	1,700.00	$0.00
Lighting Supplies	-	$0.00
Landscaping Contract	8,314.00	$0.02
Landscaping Supplies	-	$0.00
Irrigation	405.00	$0.00
HVAC Maintenance	1,541.80	$0.00
Misc Repairs (Hauling, Etc.)	7,755.50	$0.01
Plumbing	2,471.50	$0.00
Painting	32,775.00	$0.06
Trash Removal	13,077.21	$0.02
Signs	1,254.00	$0.00
Pest Control	942.00	$0.00
Gas/Electric	6,844.59	$0.01
Water/Sewer	13,890.83	$0.03
Property Taxes	56,324.87	$0.11
Insurance	16,683.00	$0.03
Asphalt Sealing / Striping	4,860.00	$0.01
Parking Lot Sweeping	-	$0.00
Total CAM Expenses	**184,060.66**	$0.34
Management Fee	$27,763.04	

Suite	Tenant	Sq. Ft.		Total Owed
100	A	1,200	$	1,369.33
101	B	719	$	828.71
102	C	825	$	951.70
103	D	2,200	$	2,519.50
105	E	827	$	946.43
106	F	2,252	$	2,578.17
108	G	3,082	$	1,910.50
109	H	2,119	$	2,419.73
110	I	2,327	$	1,664.85
112	J	792	$	-
113	K	1,986	$	2,279.28
114	L	868	$	955.07
115	M	868	$	993.35
116	N	993	$	1,146.48
117	O	1,987	$	2,268.18
121	P	8,154	$	9,333.92
127	Q	3,599	$	4,165.29
300	R	3,000	$	4,718.55
2nd floor	Misc	6,849	$	-
		44,647	$	41,049.05

Total Center Square Feet
44,647

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Property D

A	
Suite #	**100**
Sq. Feet	**1,200**

Total Center Square Feet **44,647**

January 1 - December 31, XXXX Allocable Expenses		**Totals**	**Prorata Share (%)**		**Total Share**
Power Washing - Exterior	$	2,948.00	2.69%	$	79.23
Day Porter Supplies	$	459.36	2.69%	$	12.35
Cleaning Contract - Day Porter	$	11,814.00	2.69%	$	317.53
Street Light Expense	$	1,700.00	2.69%	$	45.69
Lighting Supplies	$	-	2.69%	$	-
Landscaping Contract	$	8,314.00	2.69%	$	223.46
Landscaping Supplies	$	-	2.69%	$	-
Irrigation	$	405.00	2.69%	$	10.89
HVAC Maintenance	$	1,541.80	2.69%	$	41.44
Misc Repairs (Hauling, Etc.)	$	7,755.50	2.69%	$	208.45
Plumbing	$	2,471.50	2.69%	$	66.43
Painting	$	32,775.00	2.69%	$	880.91
Trash Removal	$	13,077.21	2.69%	$	351.48
Signs	$	1,254.00	2.69%	$	33.70
Pest Control	$	942.00	2.69%	$	25.32
Gas/Electric	$	6,844.59	2.69%	$	183.97
Water/Sewer	$	13,890.83	2.69%	$	373.35
Property Taxes	$	56,324.87	2.69%	$	1,513.87
Insurance	$	16,683.00	2.69%	$	448.40
Asphalt Sealing / Striping	$	4,860.00	2.69%	$	130.62
Parking Lot Sweeping	$	-	2.69%	$	-
TOTAL CAM Expenses	**$**	**184,060.66**		**$**	**4,947.09**
Management Fee		$27,763.04	2.69%	$	746.20
Total Prorata Share of CAM Expenses				**$**	**5,693.29**
Total CAM billed in XXXX				$	(4,323.96)
BALANCE DUE (CREDIT) FOR XXXX				**$**	**1,369.33**

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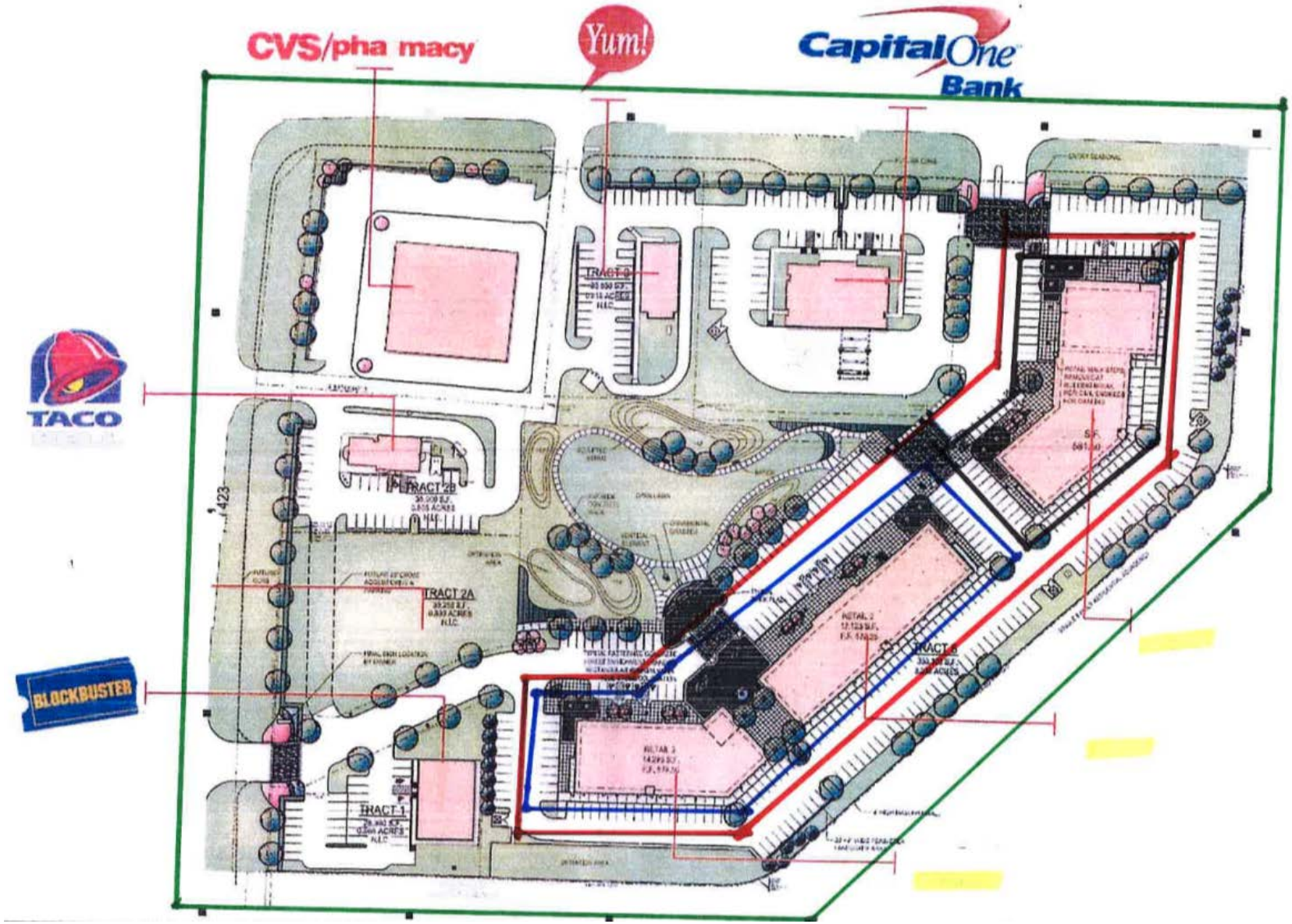
Determining Retail CAM Pools

Shopping Center Site Plan



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Determining Retail CAM Pools

Shopping Center Site Plan	
Pool 1	Total sq ft of center
Pool 2	Total sq ft of center less Pad Buildings
Pool 3	Total sq ft of Shops Building One
Pool 4	Total sq ft of Shops Building Two
Pool 5	Total sq ft of Shops Building Three
Pool 6	Total sq ft of tenants who use trash services
Pool 7	Total sq ft of tenants who use fire sprinkler system
Pool 8	Total sq ft of tenants who use shared water meter

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Determining Retail CAM Pools

- Prorata Share for CAM Pools
  - Assigned to tenants based on the pools that apply to them

FORWARD

Total Tenant sf / Pool sf – Tenant Example

CAM Reconciliation

Suite B

DESCRIPTION	Account Number	Expense	Tenant Prorata %	Subtotal	Amount Due
GENERAL CAM EXPENSE					
Electricity	4247-0000	21,600.00	2.726%	588.73	588.73
Gas	0	0.00		0.00	0.00
Water	0	0.00		0.00	0.00
Water - Irrigation	4249-0000	3,600.00	2.726%	98.12	98.12
Sewer	4250-0000	9,000.00	3.242%	291.76	291.76
Telephone	0	0.00		0.00	0.00
Telephone-Fire	0	0.00		0.00	0.00
Janitorial Day Porter & Supplies	4240-0000	9,720.00	2.726%	264.93	264.93
Sweeping	4242-0000	9,000.00	2.726%	245.31	245.31
Electrical Repairs & Supplies	4015-0000	2,610.00	2.726%	71.14	71.14
Elevator Monitoring	0	0.00		0.00	0.00
Elevator Maint & Repair	0	0.00		0.00	0.00
Fire System Monitoring	4152-0000	720.00	3.242%	23.34	23.34
Fire System Maint & Repair	0	0.00		0.00	0.00
Fountain Maint & Repair	0	0.00		0.00	0.00
Holiday Decor/Promotion	0	0.00		0.00	0.00
R & M - HVAC	0	0.00		0.00	0.00
HVAC Maintenance Contract	0	0.00		0.00	0.00
Landscape Maint & Repairs	4214-0000	15,600.00	2.726%	425.20	425.20
Landscape Repairs	4214-0000	5,000.00	2.726%	136.28	136.28
Landscape-Tree Trimming	4218-0000	8,000.00	2.726%	218.05	218.05
Lighting Svc	4195-0000	6,000.00	2.726%	163.54	163.54
R & M - Miscellaneous	4220-0000	12,000.00	3.242%	389.01	389.01
Monument Signs	4241-0000	1,212.00	3.242%	39.29	39.29
Painting	4212-0000	2,400.00	3.242%	77.80	77.80
R & M - Parking Lot	4229-0000	5,000.00	2.726%	136.28	136.28
Pest Control Service	4244-0000	2,388.00	3.242%	77.41	77.41
R & M - Plumbing	4210-0000	1,864.00	2.726%	50.81	50.81
Pressure Wash	4235-0000	8,400.00	3.242%	272.31	272.31
R & M - Roof	0	0.00	3.242%	0.00	0.00
Security Service	4150-0000	34,560.00	2.726%	941.97	941.97
Security - Special	0	0.00		0.00	0.00
Signage	0	0.00		0.00	0.00
Snow Removal	0	0.00		0.00	0.00
R & M -Walkway	0	0.00	2.726%	0.00	0.00
Window Cleaning Contract	0	0.00	2.726%	0.00	0.00
Marketing Overhead Alloc.	0	0.00		0.00	0.00
Property Management Fee		64,917.45	3.242%	2,104.46	2,104.46
CAM Due to Outside Party	0	0.00	2.726%	0.00	0.00

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Subtotal CAM			223,591.45			6,615.73
BLDG EXPENSES						
Bldg - Utility Billbacks	4251-0000		59,676.00			
Bldg - Sewer		0	0.00	0.000%	0.00	0.00
Bldg - Telephone		0	0.00		0.00	0.00
Bldg - Telephone-Fire	4307-0000		1,404.00	3.242%	45.51	45.51
Bldg - Lighting Svc		0	0.00		0.00	0.00
Bldg - R & M Electrical		0	0.00		0.00	0.00
Bldg - R & M Plumbing		0	0.00		0.00	0.00
Bldg - Fire System Monitoring	4152-0000		3,224.28	3.242%	104.52	104.52
Bldg - R & M Fire System	4234-0000		2,520.00	3.242%	81.69	81.69
Bldg - R & M Roof	4226-0000		1,000.00	3.242%	32.42	32.42
Bldg - Misc Expense		0	0.00	3.242%	0.00	0.00
Utilities billed directly to tenants			-51,165.00			
Subtotal BLDG			16,659.28			264.15
Trash Service	4232-0000		6,360.00	3.461%	220.09	220.09
Bldg - Water #60308407 Coppe	4251-0000		1,236.00	0.000%	0.00	0.00
Bldg - Water #60324241 Coppe	4251-0000		1,422.00	0.000%	0.00	0.00
						7,099.97
Admin. CAM			7,099.97			0.00
			ANNUAL SHARE - CAM			$ 7,099.97
			MONTHLY SHARE - CAM			**$ 591.66**
INSURANCE EXPENSE						
Insurance - Liability			25,737.00	3.242%		834.33
Admin. GL INS			834.33			0.00
Insurance - Building			15,349.00	3.242%		497.58
Admin. GL INS			497.58			0.00
			ANNUAL SHARE - INS			$ 1,331.91
			MONTHLY SHARE - INS			**$ 110.99**
PROPERTY TAX EXPENSE						
Property Taxes			244,662.85	3.242%		7,931.37
Admin. GL TAX			7,931.37	0.000%		0.00
			ANNUAL SHARE - TAX			$ 7,931.37
			MONTHLY SHARE - TAX			**$ 367.49**

PRORATA % CALCULATION	**Tenant Sq. Ft.**		**Total Sq. Ft.**		**Tenant Prorata %**
CAM (incl NAP)	4,000	/	146,756	=	2.726%
CAM (excl NAP)	4,000	/	123,390	=	3.242%
Fire & Building Expenses	4,000	/	123,390	=	3.242%
Taxes & Liab. Insurance	4,000	/	123,390	=	3.242%
Building Insurance	4,000	/	123,390	=	3.242%
7044 Bldg Water	0	/	4,200	=	0.000%
7050-7064 Bldg Water	0	/	8,197	=	0.000%
Trash	4,000	/	115,590	=	3.461%

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Determining Retail CAM Pools

- Tenant lease is prorata share “specific”
- Method of calculation for grossing up the expenses

	4,000	Tenant Sq Ft
2.726%	146,756	Total Center SqFt
3.461%	115,590	Trash Usage Sq Ft
	6,360.00	Trash Expense
Grossed-up trash expense		
	126.963%	Total Center SF / Trash Usage SF
	8,074.82	Trash expense x 126.963%
	220.09	Tenants Total Center Prorata Share (2.726%) x Grossed-Up Trash Expense
	220.09	Tenants Trash Expense Prorata Share (3.461%) x Trash Expense

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Q&A

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FORWARD

This provision in leases allows the landlord to stabilize its income stream even when the building is less than 100% occupied.

95% Occupancy

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95% Occupancy

Examples of expenses that are not based on occupancy	Examples of expenses that fluctuate based on occupancy
• Insurance • Property taxes • Landscaping • Irrigation • Exterior lighting • Parking lot expenses • Roofing	• Interior utilities • Interior lighting • Janitorial services and supplies • HVAC repairs • Trash

FORWARD

100,000	Fixed Operating Costs
200,000	Variable Operating Costs
300,000	**Total Operating Costs**
45%	Occupancy

Prorata Share			Fixed Costs	Variable Costs
20%	60,000	Tenant A	20,000	40,000
25%	75,000	Tenant B	25,000	50,000
75%	-	Vacancy		
	135,000	**Total Operating Costs recovered without 95% Occupancy**		
	45%	% of expenses recovered		

100,000	Fixed Operating Costs
422,222	Variable Operating Costs at 95% Occupancy
	(+Variable Costs / Occupancy % x 95%)
522,222	**Total Operating Costs recovered at 95% Occupancy**

Prorata Share			Fixed Costs	Variable Costs
20%	104,444	Tenant A	20,000	84,444
25%	130,556	Tenant B	25,000	105,556
75%	-	Vacancy		
	235,000	**Total Costs Recoverd at 95% Occupancy**		
	78%	% of expenses recovered		

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2017 CAM Reconciliation

Allocable Expenses	GL Account	Expense Type	2017 Expenses	95% Occupancy Adjustment
Janitorial				
Power Washing	4235	F	1,012.00	1,012.00
Window Washing	4238	F	2,303.00	2,303.00
Janitorial Supplies	4239	V	3,677.55	4,930.06
Janitorial Contract	4240	V	35,369.34	47,415.55
Day Porter	4240	V	9,372.00	12,563.95
Sweeping	4242	F	1,860.00	1,860.00
Total Janitorial			53,593.89	70,084.57
Security, Fire, Life Safety				
Secuirty	4150	F	3,738.27	3,738.27
Monitoring	4152	F	4,606.92	4,606.92
Fire Equipment	4234	F	2,482.00	2,482.00
Total Security, Fire, Life Safety			10,827.19	10,827.19
Lighting				
Lighting Contract	4195	F	-	-
Lighting Supplies	4196	V	-	-
Total Lighting			-	-
HVAC				
HVAC Contract	4236	F	4,056.00	4,056.00
HVAC Repairs	4237	V	18,083.55	24,242.51
Total HVAC			22,139.55	28,298.51
Landscaping				
Landscape Contract	4214	F	9,306.24	9,306.24
Landscape Supplies	4216	F	-	-
Irrigation Repairs/Supplies	4217	F	1,115.17	1,115.17
Tree Trimming	4218	F	-	-
Total Landscaping			10,421.41	10,421.41
Repairs & Maintenance				
Electric	4015	F	8,703.50	8,703.50
Plumbing	4210	F	3,792.82	3,792.82
Painting	4212	F	-	-
Locks & Keys	4223	F	-	-
Repairs & Maintenance	4224	F	3,229.81	3,229.81
Roof Repairs	4226	F	1,090.00	1,090.00
Asphalt Repairs	4229	F	-	-
Trash Removal	4232	V	10,211.61	13,689.52
Signage	4241	F	-	-
Pest Control	4244	F	1,014.00	1,014.00
Total Repairs & Maintenance			28,041.74	31,519.65

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Elevator				
Elevator Contract	4245	F	2,275.32	2,275.32
Elevator Maintenance	4246	F	-	-
Total Elevator			2,275.32	2,275.32
Utilities				
Gas/Electric	4247	V	14,400.78	19,305.45
Water/Sewer	4250	V	13,750.20	18,433.29
Total Utilities			28,150.98	37,738.74
Administrative/Management Fees				
Management Fees	4252	V	22,650.00	30,364.22
Property Manager Payroll	4400	F	9,652.50	9,652.50
Office/Administrative	4414	F	3,186.85	3,186.85
Association Dues	4600	F	5,775.00	5,775.00
Total Administrative/Management Fees			41,264.35	48,978.57
Insurance & Taxes				
Property Taxes	4254	F	137,846.58	137,846.58
Property Insurance	4256	F	12,982.42	12,982.42
Pollution Insurance	4256	F	-	-
Earthquake Insurance	4256	F	2,025.59	2,025.59
Total Insurance & Taxes			152,854.59	152,854.59
			$ 349,569.02	$ 392,998.54

Leased Space	
JANUARY	69.27%
FEBRUARY	69.27%
MARCH	72.77%
APRIL	72.77%
MAY	72.77%
JUNE	72.77%
JULY	64.97%
AUGUST	64.97%
SEPTEMBER	67.54%
OCTOBER	74.42%
NOVEMBER	74.42%
DECEMBER	74.42%
AVERAGE OCCUPANCY	**70.86%**

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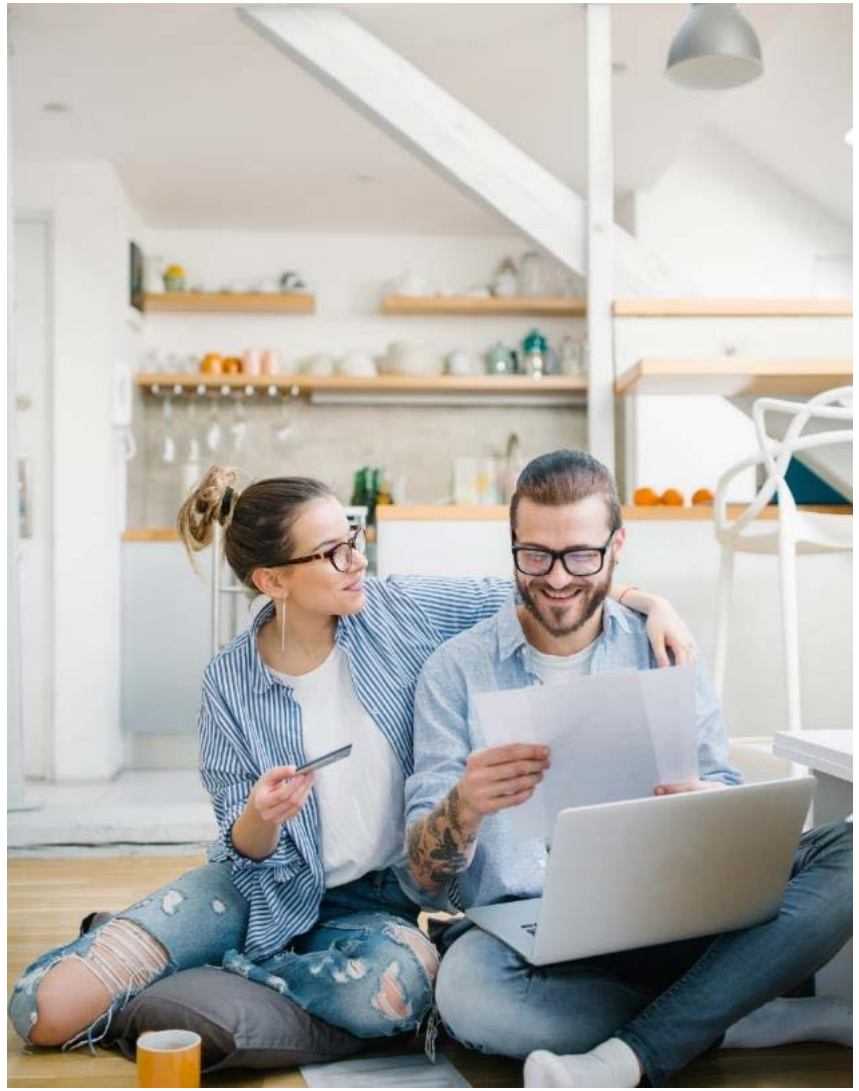
Base Year Expense



- Usually Office and Industrial Leases

This provision assumes that the Base Rent in the 1st year of the lease covers the operating expenses for the tenant

The subsequent years are billed to the tenant as their prorata share of the increase in expenses, due to either inflation or their occupancy

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Sample of Annual

Business Park
2016 OPERATING EXPENSE RECONCILIATION

Allocable Expenses	2012	2013	2014	2015	2016
Electric Repairs	-	-	390.55	1,495.79	1,312.09
Plumbing	90.00	825.00	94.00	619.00	828.50
Landscaping	12,100.00	13,200.00	12,375.00	13,500.00	12,000.00
Landscaping Supplies	4,769.45	1,402.50	982.08	3,870.88	11,025.00
Irrigation Repairs	1,210.55	389.80	748.09	2,180.46	1,953.74
Tree Trimming/Removal	7,005.00	120.00	-		-
Repairs & Maintenance	10,971.68	6,162.09	21,413.44	11,021.59	12,885.81
Roof Repairs	3,398.00	1,885.00	1,200.00	550.00	6,590.00
Trash	11,464.80	12,044.62	11,729.63	12,508.84	11,575.08
Janitorial	6,220.00	6,000.00	6,000.00	6,000.00	6,075.00
Sweeping	-	-	-		-
Pest Control	900.00	1,050.00	770.00	900.00	825.00
Gas/Electric	4,668.15	5,336.90	6,386.74	6,996.94	6,802.07
Water/Sewer	20,226.28	20,399.88	24,372.40	25,447.34	20,309.94
Contract Management	22,468.32	24,200.86	24,852.15	23,844.47	27,465.82
Property Taxes*	47,806.44	50,123.62	51,194.51	51,608.42	52,424.95
Property Insurance	7,517.00	13,399.00	14,508.00	18,201.00	15,955.00
Pollution Liab. Ins. (Amortized over 3	915.31	1,077.00	1,077.00	1,077.00	-
Telephone	471.63	484.55	446.96	425.60	635.32
Admin	-	-	-		
Total CAM Expenses	**$ 162,202.61**	**$ 158,100.82**	**178,540.55**	**180,247.33**	**188,663.32**
Increase over prior year		97%	113%	101%	105%

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Sample Individual Tenant

BUSINESS PARK

Tenant A	
Suite #	**4030A**
Square Feet	**13,373**
Base Year	**2012**

Total Center Square Feet **72,981**

Allocable Expenses	Base Year 2012	Current Year 2016	Difference	Prorata %	Prorata Share
Electric Repairs	$ -	$ 1,312.09	$ 1,312.09	18.32%	$ 240.43
Plumbing	90.00	$ 828.50	738.50		135.32
Landscaping	12,100.00	$ 12,000.00	(100.00)		(18.32)
Landscaping Supplies	4,769.45	$ 11,025.00	6,255.55		1,146.26
Irrigation Repairs	1,210.55	$ 1,953.74	743.19		136.18
Tree Trimming/Removal	7,005.00	$ -	(7,005.00)		(1,283.59)
Repairs & Maintenance	10,971.68	$ 12,885.81	1,914.13		350.74
Roof Repairs	3,398.00	$ 6,590.00	3,192.00		584.90
Trash	11,464.80	$ 11,575.08	110.28		20.21
Janitorial	6,220.00	$ 6,075.00	(145.00)		(26.57)
Sweeping	-	$ -	-		-
Pest Control	900.00	$ 825.00	(75.00)		(13.74)
Gas/Electric	4,668.15	$ 6,802.07	2,133.92		391.02
Water/Sewer	20,226.28	$ 20,309.94	83.66		15.33
Contract Management	22,468.32	$ 27,465.82	4,997.50		915.74
Property Taxes*	47,806.44	$ 52,424.95	4,618.51		846.29
Property Insurance	7,517.00	$ 15,955.00	8,438.00		1,546.17
Pollution Liab. Ins. (Amortized over 3 years)	915.31	$ -	(915.31)		(167.72)
Telephone	-	$ -	-		-
Admin	-	$ -	-		-
Total CAM Expenses	**$161,730.98**	**$188,028.00**	**$26,297.02**		**$ 4,818.65**
2016 CAM Estimates Billed					$ (4,518.00)
Total Due					**$ 300.65**

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Q&A

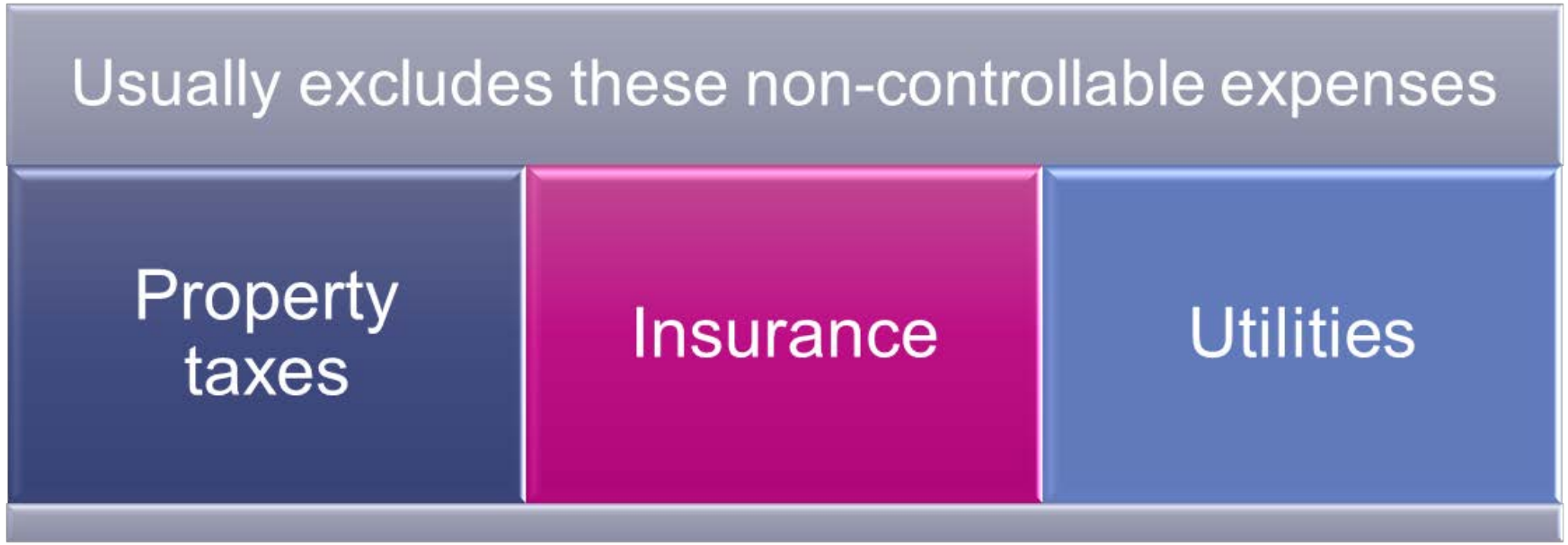
Today’s Topics

01	02	03	04	05
Common Areas and Methods of Calculation	Straight Prorata Share	Determining Retail CAM Pools	95% Occupancy and Base Year Expense	CAM Caps and Reconciliation Deadline

FORWARD

CAM Caps

- Retail and Office leases
  - Purpose is to keep those expenses that are controllable in line and keep a landlord from “running wild” spending $$



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Tenant Example

Strip Retail Center

Tenant D
Suite # 213
Sq. Feet 2,200

Total Center Square Feet 23,803

January 1 - December 31, 2016		**Totals**	**Prorata Share (%)**		**Total Share**	
Allocable Expenses						
Monitoring	$	840.00	9.24%	$	77.64	
Plumbing	$	2,041.11	9.24%	$	188.65	
Landscaping	$	5,665.95	9.24%	$	523.68	
Landscaping Supplies	$	908.76	9.24%	$	83.99	
Tree Trimming	$	-	9.24%	$	-	
Repairs & Maintenance	$	-	9.24%	$	-	
Asphalt Repairs	$	-	9.24%	$	-	
Storm Drain Maintenance	$	-	9.24%	$	-	
Power Washing	$	-	9.24%	$	-	
Janitorial	$	5,934.35	9.24%	$	548.48	
Pest Control	$	151.55	9.24%	$	14.01	
Telephone	$	1,209.82	9.24%	$	111.82	**
Electricity	$	3,913.71	9.24%	$	361.73	**
Trash	$	18,714.29	9.24%	$	1,729.67	
Water/Sewer	$	25,832.67	9.24%	$	2,387.59	**
Asset Preservation Fee	$	-	9.24%	$	-	
Management Fees	$	-	9.24%	$	-	
Outside Services	$	-	9.24%	$	-	
Admin	$	-	9.24%	$	-	
TOTAL CAM Expenses	**$**	**65,212.21**		**$**	**6,027.26**	
Administration Fee	$	2,397.92	9.24%	$	221.63	
Total CAM/Admin Expenses				**$**	**6,248.89**	**4.00 psf CAP first full calendar year** **8,800.00**
** excluded from Admin Fee						
Property Taxes		$51,477.93	9.24%	$	4,757.86	
Insurance		$10,462.00	9.24%	$	966.95	
Total Prorata Share of CAM Expenses				**$**	**11,973.71**	
Total CAM billed in 2016				$	(8,844.92)	
BALANCE DUE (CREDIT) FOR 2016				**$**	**3,128.79**	

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Reconciliation Deadline

- 60, 90, 120 days after year-end
- Is there an “outside” deadline that it has to be billed or the tenant is NOT required to pay?
- Late billings
  - Bad news
  - Good news

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Q&A

Conclusion

- Understand the “big” picture before zooming in
- Make sure you understand the methods before attempting to explain it to someone else
- Know your spreadsheets and understand the formulas
- Manually spot check spreadsheet formula calculations with a calculator
- Accept that now you will be the resident expert!

Contact

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Thank You

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