



MCLAIN REAL ESTATE

---

**PROPERTY MANAGEMENT  
POLICIES & PROCEDURES  
MANUAL**

---

2007



## **FORWARD**

The policies outlined here are based on experience and suggest one or more ways to reach a specific destination. Rarely does this document serve as a conclusive map designed to overcome every obstacle; hence, we rely on professional judgment to make decisions that affect a property's operations.

The purpose of this policy manual is two-fold. First, operating personnel use this manual as a reference guide. Secondly, managers can use it to streamline administrative functions and responsibilities.

This manual consists of eight (8) sections, each designed to interlock with the others. Each section consists of a general objective and requirements and it is supplemented by property-specific guidelines, sample reports, or schedules.

- 1. CUSTOMER SERVICE**
- 2. MARKETING AND LEASING**
- 3. MAINTENANCE AND ENGINEERING**
- 4. ADMINISTRATION**
- 5. ACCOUNTING AND REPORTING**
- 6. CONSTRUCTION MANAGEMENT**
- 7. ANNUAL BUSINESS PLAN**
- 8. GRAPHIC STANDARDS**

Revisions to the text can be made at any time. All such requests must be submitted to the Coldwell Banker Commercial McLain Real Estate Executive Committee for approval. Accordingly, you will be asked to update your manuals with the new information that will be dated. You will be charged with initiating procedures commensurate with the policies and inserting the appropriate exhibits that comply with the policy. Sharing exhibits and information among employees is encouraged so that we can utilize experiences to enhance operations.

## Standard Operating Procedures Manual

### TABLE OF CONTENTS

#### **I. Customer Service**

---

<b>Section</b>	<b>Page</b>
1.1 Tenant Relations	1
1.2 Tenant Visitations	1
1.3 Tenant Communication	1
1.4 Tenant Move In/Out Procedures	2
1.5 Tenant Contact List	2
1.6 Tenant Information Manual	2
1.7 Tenant Emergency Manual	3
1.8 Owner Relations	3
1.9 Community Relations	3
1.10 Tenant Surveys	4
1.11 Property Inspections	4

#### **II. Marketing and Leasing**

---

2.1 Marketing Center	5
2.2 Marketing Presentation	5
2.3 Market Surveys and Research	5
2.4 Competitive Building Information	5
2.5 Marketing Plans	6
2.6 Space Measurements	6
2.7 Lease Books	6
2.8 Lease Abstracts/Briefs	7
2.9 Lease Files	7
2.10 Broker Relations	7
2.11 Public Relations	8
2.12 Prospect Development	8
2.13 Presentation and Collateral Materials	8
2.14 Standard Lease Documents	8
2.15 Co-Brokerage Commission Agreements	9

2.16 Lease Documentation and Processing	9
2.17 Lease Negotiations	9
2.18 Credit Approval	10
2.19 Standard Proposals	10
2.20 Lease Activity Report	11
2.21 Lease Analysis and Approval	11
2.22 Training/Continuing Education	11
2.23 Licensing	11
2.24 Vacant Space Preparation	12

### **III. Maintenance & Engineering**

---

3.1 Life Safety Systems	13
3.2 Energy Management	13
3.3 Preventative Maintenance Management Plan	13
3.4 Thermographic Testing	14
3.5 Daily Inspection and Logs	14
3.6 Licensing and Permits	14
3.7 Inventory Control	14
3.8 Access Control	15
3.9 Environmental Issues	15

### **IV. Administration**

---

4.1 Work Order System	16
4.2 Service Contract Administration	16
4.3 Elevator Operations	17
4.4 Janitorial Maintenance	17
4.5 Recycling/Waste Removal	17
4.6 Landscaping and Grounds Management	18
4.7 Authorization Levels	18
4.8 Emergency Preparedness/Crisis Management	18
4.9 Risk Management	19
4.10 Incident Reporting/ Insurance Claim Form	19
4.11 Certificates of Insurance	20
4.12 Property Tax Management	20
4.13 Management Agreements	20
4.14 Management Office Administration	21
4.15 Management Office Hours	21
4.16 Management Office Telephones	21

4.17 File Management Standardization	22
4.18 File Retention	22
4.19 Security Operations	23
4.20 Parking Operations	23
4.21 Contract Bidding	24

## **V. Accounting and Reporting**

---

5.1 Operation Reports	25
5.2 Variance Reports	25
5.3 Balance Sheets	25
5.4 Income Statement	26
5.5 Chart of Accounts	26
5.6 General Ledger System	26
5.7 Cash Flow Reporting	27
5.8 Bank Reconciliation	27
5.9 Check Register	27
5.10 Cash Management – Receipts	28
5.10a Cash Management – Disbursements	28
5.11 Cash Receipts Journal	28
5.12 Vending	29
5.13 Petty Cash	29
5.14 Property Tax Accounting	29
5.15 Metered Utility/HVAC After Hours Billing	30
5.16 Real Estate Tax Escalations	30
5.17 Operations Expense Escalations	31
5.18 CPI (Consumer Price Index) Escalations	32
5.19 Rent Roll	32
5.20 Tenant Billings	32
5.21 Tenant Charge Backs	33
5.22 Security Deposits	33
5.23 Management Fees	34
5.24 Aged Receivables Report	34
5.25 Collections	35
5.26 Legal Services Fees	35
5.27 Write-Off	35
5.28 Litigation	36
5.29 Percentage Rent	36
5.30 Vendor Tax Identification Number	36
5.31 Purchasing	37

5.32 National Purchasing Agreements	37
5.33 Budget	37
5.34 Asset Capitalization	38
5.35 Leasing Commissions	39

## **VI. Construction Management**

---

6.1 Building Standards	40
6.2 Project Development	40
6.3 Project Approval	40
6.4 Project Process	40

## **VII. Annual Business Plan**

---

7.0 Annual Business Plan	42
--------------------------	----

## **VIII. Graphic Standards**

---

8.1 Logo Guidelines and Corporate Communication	43
8.2 Administrative and tenant Communication	43

# 1. CUSTOMER SERVICE

## SECTION 1.1 TENANT RELATIONS

### OBJECTIVE

- To be recognized in the real estate industry as a premiere provider of customer service.

### RESPONSIBILITY

- Entire Building Team under the direction of the Property Manager.

### REQUIREMENTS

- Overall Program
    - Set goals for a program that is reasonable, specific, and measurable.
    - Develop a plan based on set goals and detail in the appropriate section of the Annual Business Plan.
    - All programs will be subject to change annually, as a minimum, based on budget approval.
  - Tenant Gifts
    - Deliver Tenant Welcome gift/manuals upon move-in.
    - Celebrate each Tenant's Lease anniversary with commemorative token.
  - Tenant Relations
    - Offer Quality Information Seminars as prompted by tenant interest.
    - Schedule routine Tenant visits.
    - Subject to market conditions - contact Tenant's with expiring leases 6 months in advance of lease termination.
- 

## SECTION 1.2 TENANT VISITATION

### OBJECTIVE

- To gain Tenant's trust and confidence through open and productive communication, resulting in improved service quality and tenant satisfaction.

### RESPONSIBILITY

- Property Manager.

### REQUIREMENTS

- Conduct quarterly or at some frequency determined by the desire of the Tenant.
  - Maintain dates and results of visits on Tenant Visitation Log.
  - Conduct drop-by visits monthly or as situations arise. Visitation cards to be used by management and maintenance in the event the Tenant is unable to meet.
- 

## SECTION 1.3 TENANT COMMUNICATIONS

### OBJECTIVE

- To maintain clear and concise communication with Tenant's informing them about routine building activities and emergency situations.

### RESPONSIBILITY

- Property Manager.

# **1. CUSTOMER SERVICE**

## **REQUIREMENTS**

- Draft Tenant Newsletter
  - Use masthead forms preprinted communication forms for purposes of a consistent delivery of specific messages. No communication is to be published on any stock outside of letterhead and masthead forms.
  - Place literature stands at each elevator bank, or appropriate central location, for communication pieces made available to all tenants. Communication pieces limited to property newsletter, masthead forms, and letterhead. Any advertisement piece must have a masthead form cover denoting building sponsorship.
- 

## **SECTION 1.4 TENANT MOVE IN/OUT PROCEDURES**

### **OBJECTIVE**

- To ensure that a Tenant and the selected mover understand and meet the building guidelines facilitating a seamless move and minimizing damage. Upon move out, to identify condition of space and determine tenant liability, if any.

### **RESPONSIBILITY**

- Property Manager.

### **REQUIREMENTS**

- Submit guidelines to Tenant not later than two (2) weeks prior to move date. Mover's Certificate of Insurance must be received and include the appropriate additional insured prior to physical move. Checklist to be filed in Tenant's lease file. Property Manager to complete and forward move-in/out notification form to Accounting to commence billing/close account.
- 

## **SECTION 1.5 TENANT CONTACT LIST**

### **OBJECTIVE**

- To maintain a data bank of tenant contact information for routine communication and emergency situations.

### **RESPONSIBILITY**

- Property Manager.

### **REQUIREMENTS**

- Update list upon move in/out of tenants; changes in contact name and telephone number; subleasing of premises, etc.
  - Distribution-Management & Security staff.
  - Never give list to anyone other than those listed without the Property Manager's approval.
- 

## **SECTION 1.6 TENANT INFORMATION MANUAL**

### **OBJECTIVE**

## **1. CUSTOMER SERVICE**

- To familiarize Tenant with important procedures and services that will assist them in acclimating to their new business environment.

### **RESPONSIBILITY**

- Property Manager.

### **REQUIREMENTS**

- Deliver Tenant Handbook immediately upon move-in.
- 

## **SECTION 1.7 TENANT EMERGENCY MANUAL**

### **OBJECTIVE**

- To provide a comprehensive plan addressing various emergencies that could arise and to familiarize tenants with emergency related systems and procedures.

### **RESPONSIBILITY**

- Property Manager, Maintenance Staff.

### **REQUIREMENTS**

- Deliver Emergency Procedures Manual immediately upon move in.
  - Complete Fire Warden Training within thirty (30) days after move in.
  - Have Tenant sign acknowledgment of receipt of Manual and Training.
- 

## **SECTION 1.8 OWNER RELATIONS**

### **OBJECTIVE**

- To maintain open and informative communication with Owner's Representative informing them of major issues and concerns.

### **RESPONSIBILITY**

- Property Manager.

### **REQUIREMENTS**

- Maintain a minimum of weekly telephone meetings with Owner or Owner's Representative.
  - Hold quarterly ownership meetings as needed.
- 

## **SECTION 1.9 COMMUNITY RELATIONS**

### **OBJECTIVE**

- To recognize the importance of the surrounding community and its impact on the property and vice versa.
- To be involved in and aware of any governmental or quasi-governmental issues that may affect the property.

### **RESPONSIBILITY**

- Property Manager and Leasing Representative.

# 1. CUSTOMER SERVICE

## REQUIREMENTS

- Hold active memberships in real estate related organizations.
  - Eliminate those that may have undesirable political ramifications when selecting charitable organizations to sponsor.
- 

## SECTION 1.10 TENANT SURVEYS

### OBJECTIVE

- To ascertain level of tenant satisfaction, analyze trends, set benchmarks, and monitor property team performance.

### RESPONSIBILITY

- Property Manager and contracted through a third-party consultant.

### REQUIREMENTS

- Perform tenant survey annually.
  - Submit survey to tenant contact(s)/decision maker(s).
  - Goal: 75% response rate.
  - Initiate process in June with results tallied by August so that cost-related items can be included in budget.
- 

## SECTION 1.11 PROPERTY INSPECTIONS

### OBJECTIVE

- To monitor physical and an aesthetic attributes of property at all times and to note items in preparation for Budget planning.

### RESPONSIBILITY

- Property Manager

### REQUIREMENTS

- Monthly
    - Roof to basement-base building areas including all closets, mechanical rooms, common areas, restrooms, etc. Parking Deck-all levels, gate equipment, elevators, stairwells, lighting, etc. Monthly meetings and inspections to be held with Landscape, Janitorial, Security, and Parking Deck Contractors.
  - Inspection Methods
    - Informal walking tour
    - Checklist format with comments
  - Follow/up
    - Distribute to respective parties for completion
    - Set date for items to be complete
    - Spot check items from prior inspection while performing next periodic inspection.
-

## **2. MARKETING AND LEASING**

### **SECTION 2.1 MARKETING CENTER**

#### **OBJECTIVE**

- To showcase the property.

#### **RESPONSIBILITY**

- Director of Leasing and Property Manager.

#### **REQUIREMENTS**

- The marketing center ("Center") is the showcase of the property and the prospective tenant's initial impression of the property. Locate center in an area of the building that is accessible and easy to find (lobby level or exposure to an elevator lobby). Center should have an efficient design, with reception up front and conference areas off reception.
- 

### **SECTION 2.2 MARKETING PRESENTATIONS**

#### **OBJECTIVE**

- To develop and provide a program with updated collateral materials.

#### **RESPONSIBILITY**

- Leasing Associate and Director of Leasing.

#### **REQUIREMENTS**

- Provide upon appointment or on an as-needed basis.
  - All collateral materials must be approved by Owner.
- 

### **SECTION 2.3 MARKET SURVEY AND RESEARCH**

#### **OBJECTIVE**

- To maintain specific information on new and renewal leases in competitive projects.

#### **RESPONSIBILITY**

- Leasing Associate and Director of Leasing.

#### **REQUIREMENTS**

- Update specific leases and renewals in competitive projects as they happen or soon thereafter. Update market information regarding vacancies, absorption, new developments, and trends within the subject property's submarket and the overall market on a quarterly basis.
- 

### **SECTION 2.4 COMPETITIVE BUILDING INFORMATION**

#### **OBJECTIVE**

- To tour each competitive building and to gather specific information on the tenants, leases, available space, amenities, common areas, restrooms, parking, ingress/egress, and marketing information in order to analyze and understand their strengths and weaknesses in comparison to the subject property.

## **2. MARKETING AND LEASING**

### **RESPONSIBILITY**

- Director of Leasing, Leasing Associate, and Property Manager.

### **REQUIREMENTS**

- Tour at least once a year; update new leases and information as they occur.
- 

## **SECTION 2.5 MARKETING PLANS**

### **OBJECTIVE**

- To communicate message points to brokers and prospective tenants through several advertising and promotional channels, building promotional events, and everyday collateral material used by the leasing and management team.

### **RESPONSIBILITY**

- Director of Leasing, Leasing Associate, Management and Staff.

### **REQUIREMENTS**

- Develop annual written plan. Leasing Director and Property Manager to develop and implement a marketing plan in conjunction with budget for appropriate timing.
- 

## **SECTION 2.6 SPACE MEASUREMENTS**

### **OBJECTIVE**

- To maintain a consistent approach to measuring space in buildings.

### **RESPONSIBILITY**

- Director of Leasing, General Manager, and building's architect.

### **REQUIREMENTS**

- Measure each lease transaction area to maintain accuracy. Tie measurements consistent with rent roll and stacking plan.
  - The measurement standard should be based on BOMA or a modified-BOMA measuring standard, contingent on the building market and its size, lobbies, and floor factors.
- 

## **SECTION 2.7 LEASE BOOKS**

### **OBJECTIVE**

- To maintain a complete and updated account of each tenant suite and available space within the property.

### **RESPONSIBILITY**

- Director of Leasing and Leasing Associate.

### **REQUIREMENTS**

## **2. MARKETING AND LEASING**

- The book will have detailed information regarding size of the suites, lease expirations, tenants' rights including, but not limited to rights of expansion, renewal, first refusal, and cancellation. Updated "as-builts" will be maintained for each vacant suite, separately and on a composite. A section of the book will include a chart that depicts the building's measurement on a gross, rentable, and usable basis including penetrations and other allocations.
- 

### **SECTION 2.8 LEASE ABSTRACTS/BRIEFS**

#### **OBJECTIVE**

- To effectively streamline the accounting and management functions of the property and update Owner's valuation models.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Provide Property Accountant a Lease Abstract upon execution of a Lease. This document is used to summarize all pertinent Lease information contained within (tenant charges, square footage, special provisions, etc.).
  - Enter this pertinent information into a computer database and a Lease Abstract generated.
  - Distribute Lease Abstracts to key management personnel who maintain complete Lease Abstract books.
- 

### **SECTION 2.9 LEASE FILES**

#### **OBJECTIVE**

- To ensure that records are maintained in good condition for the duration of the Lease and then properly stored for the period of time designated by Owner or as required by law.

#### **RESPONSIBILITY**

- Office Manager.

#### **REQUIREMENTS**

- Alphabetize Tenant Lease files by tenant / corporation name and should be kept in a location of the office is that is accessible to all pertinent personnel.
  - Each tenant file should contain the following sections; Lease Documents, Billing/Accounts Receivable, Monthly Sales, Correspondence.
  - Review all files and dated materials stored in the designated areas on an annual basis.
  - Purge the Lease file from the system based on the retention schedule upon expiration and/or termination of a Lease.
- 

### **SECTION 2.10 BROKER RELATIONS**

#### **OBJECTIVE**

- To develop and maintain relationships with key brokers in the subject property's market. Pay commissions timely.

## **2. MARKETING AND LEASING**

### **RESPONSIBILITY**

- Director of Leasing and Leasing Associate.

### **REQUIREMENTS**

- Create a long term approach in the Annual Business Plan and identify a budget annually.
- 

## **SECTION 2.11 PUBLIC RELATIONS**

### **OBJECTIVE**

- To maintain positive relations with all outside private, public, and other members of the communities in which we operate.

### **RESPONSIBILITY**

- Third-party public relations firm, Director of Leasing, and Property Manager.

### **REQUIREMENTS**

- Develop and implement written crisis communication & operational communication programs to include specific individuals designated for communication depending upon circumstances.
- 

## **SECTION 2.12 PROSPECT DEVELOPMENT**

### **OBJECTIVE**

- To identify and secure relocating tenants from competitive buildings, and new firms migrating into the area.

### **RESPONSIBILITY**

- Leasing Associate and Assistant.

### **REQUIREMENTS**

- Refer to monthly report - leasing activity report section.
  - Maintain database of tenants' lease expirations in competitive buildings. Regularly speak with corporate real estate directors.
- 

## **SECTION 2.13 PRESENTATION AND COLLATERAL MATERIALS**

### **OBJECTIVE**

- To maintain informative and stylish promotional materials necessary to properly position the property in the market.

### **RESPONSIBILITY**

- Director of Leasing and Property Manager.

### **REQUIREMENTS**

- Update annually.
-

## **2. MARKETING AND LEASING**

### **SECTION 2.14 STANDARD LEASE DOCUMENTS**

#### **OBJECTIVE**

- To utilize an Owner-approved standard lease document.

#### **RESPONSIBILITY**

- Director of Leasing and General Manager.

#### **REQUIREMENTS**

- Review regularly for changes in the law and market, and submit changes to the Property Manager. The Lease Committee is to meet quarterly to review all leases and approve updates. For immediate update requirements the Committee can meet as necessary. Any changes to standard lease document must be approved by counsel or in-house paralegal.
- 

### **SECTION 2.15 CO-BROKERAGE COMMISSION AGREEMENTS**

#### **OBJECTIVE**

- To utilize a standard market-driven co-brokerage agreement. Show changes to the agreement with footnotes and/or stricken language.

#### **RESPONSIBILITY**

- Director of Leasing and Property Manager.

#### **REQUIREMENTS**

- Review documents annually or on an as-needed basis.
  - Show changes to the agreement with footnotes and/or stricken language. Comply with subrogation rights of mortgage loan agreement.
- 

### **SECTION 2.16 LEASE DOCUMENTATION AND PROCESSING**

#### **OBJECTIVE**

- To administer, track, and process a lease from tenant's signature to placement of a fully executed lease into the lease file.

#### **RESPONSIBILITY**

- Leasing Associate and Property Manager

#### **REQUIREMENTS**

- Develop and implement a written Lease Documentation and Processing Program. Any material changes must be approved by the Lease Review Committee.
- 

### **SECTION 2.17 LEASE NEGOTIATIONS**

#### **OBJECTIVE**

- To have an orderly and consistent process.

## 2. MARKETING AND LEASING

### RESPONSIBILITY

- Leasing Associate, Director of Leasing, and Property Manager.

### REQUIREMENTS

- The following narrative flowchart describes the lease negotiation process from the submission of a lease proposal to the receipt of a signed lease from the Tenant:
  - Prepare a Lease Analysis indicating the effective rent and the face rent to effective rent percentage.
  - Submit a lease proposal to a qualified prospect.
  - Request financial and credit information. Review financial and credit information prior to final negotiations.
  - Negotiate the terms and conditions of the lease proposal, without going below budget guidelines.
  - If the terms and conditions changed from the lease proposal, then revise the Lease Analysis to incorporate the new terms and conditions.
  - The Director of Leasing signs the final Lease Analysis and reviews the pertinent financial and credit information.
  - The Lease Analysis form is approved by the Leasing Agent, Leasing Director, and Property Manager.
  - The Leasing Associate or Director of Leasing generates and submits a standard lease document incorporating the approved terms and conditions to Tenant. Tenant's attorney makes changes and revisions to the standard lease document and submits to Leasing for review. Leasing reviews the scope of changes and either (i) negotiates non-legal, business issues, or (ii) involves in-house or local counsel to negotiate only the legal issues subject to the complexity of changes and requests.
  - Any significant issue will be submitted to the Property Manager and Leasing Director for review and approval.
  - Upon agreement between the Tenant and Leasing, a black-line draft will be attached to the original lease document for file reference. Leasing receives three (3) original leases signed by the Tenant.

---

### SECTION 2.18 CREDIT APPROVAL

#### OBJECTIVE

- To clearly understand the financial viability of and credit history of each tenant signing a new lease or a renewal lease, and to determine what, if any, security should be posted and whom, if anyone, must guarantee lease.

#### RESPONSIBILITY

- Leasing Associate and Director of Leasing.

#### REQUIREMENTS

- Analyze the financial and credit information with trend analysis of cash, accounts receivables, short and long-term debt. Start-up companies, limited net worth companies, Sub S corporations, Limited Liability Companies, Partnerships, and Professional Corporations all require security deposits, letter of credit, and/or a personal guarantee, dependent on market.
-

## **2. MARKETING AND LEASING**

### **SECTION 2.19 STANDARD PROPOSALS**

#### **OBJECTIVE**

- To communicate the project's financial terms of a market lease transaction. In addition to the acceptable terms and conditions, the standard proposal format should include the amenities and pertinent building and operational information.

#### **RESPONSIBILITY**

- Director of Leasing.

#### **REQUIREMENTS**

- Each lease proposal must contain standard disclaimer language.
- 

### **SECTION 2.20 LEASE ACTIVITY REPORT**

#### **OBJECTIVE**

- To accurately track prospects and the financial details of the leasing activity each month.

#### **RESPONSIBILITY**

- Leasing Associate and Director of Leasing.

#### **REQUIREMENTS**

- Utilize and incorporate a standard format into the Monthly Property Report.
- 

### **SECTION 2.21 LEASE ANALYSIS AND APPROVAL**

#### **OBJECTIVE**

- To analyze the financial terms of a lease transaction and to compare them to the budget.

#### **RESPONSIBILITY**

- Leasing Associate and Director of Leasing. The Leasing Associate prepares the Lease Requisition and submits it to the Property Manager. The Property Manager signs all the Lease Requisitions/Lease Analysis and submits them to the Director of Leasing for approval.

#### **REQUIREMENTS**

- Prepare for each lease proposal.
- 

### **SECTION 2.22 TRAINING / CONTINUING EDUCATION**

#### **OBJECTIVE**

- To attend classes designed to enhance overall real estate knowledge of leasing, marketing, and financial skills.

#### **RESPONSIBILITY**

- All staff members with a real estate license.

## **2. MARKETING AND LEASING**

### **REQUIREMENTS**

- Attend any classes required by state law. Classes and/or conferences must be in the approved annual budget.
- 

### **SECTION 2.23 LICENSING**

#### **OBJECTIVE**

- To maintain real estate license for the appropriate state, if required.

#### **RESPONSIBILITY**

- All staff members that require a real estate license.

### **REQUIREMENTS**

- A sales person's license must be held by a broker.
- 

### **SECTION 2.24 VACANT SPACE PREPARATION**

#### **OBJECTIVE**

- To prepare vacant space for tenant showings and avail tenants and brokers of opportunities at the property. All vacant space should be put into marketable condition and be free of tenant storage. Space should be checked at least weekly by the Property Manager and or the maintenance personnel.

#### **RESPONSIBILITY**

- Leasing Associate, Director of Leasing, and Property Manager.

### **REQUIREMENTS**

- Update as space becomes vacant.
-

## **3. MAINTENANCE AND ENGINEERING**

### **SECTION 3.1 LIFE SAFETY SYSTEMS**

#### **OBJECTIVE**

- To ensure that all components of the Life Safety Systems are inspected, tested, and maintained in accordance with local ordinances, insurance requirements, and other applicable guidelines.

#### **RESPONSIBILITY**

- Maintenance Engineer.

#### **REQUIREMENTS**

- Develop and implement a written program to address the inspecting, testing, and maintenance of the Fire Safety Systems, Fire Detection and Alarm Systems, Sprinkler and Fire Pump Systems, and Emergency Generators at all properties.
- 

### **SECTION 3.2 ENERGY MANAGEMENT**

#### **OBJECTIVE**

- To control property level energy expenses without compromising tenant comfort, safety, and security.

#### **RESPONSIBILITY**

- Maintenance Engineer.

#### **REQUIREMENTS**

- Develop and implement a written energy management plan at all properties. The plan shall describe energy management and strategies, tenant sub-metering, HVAC overtime usage, and appropriate billings; any and all programs available through local utility company participation. Investigate cost savings attributed to energy deregulation.
- 

### **SECTION 3.3 PREVENTATIVE MAINTENANCE MANAGEMENT PLAN**

#### **OBJECTIVE**

- To promote optimum operating efficiencies in a property and its mechanical equipment through planned maintenance, testing, and inspection while minimizing Ownership's capital requirements and liability exposures.

#### **RESPONSIBILITY**

- Maintenance Engineer/Property Manager.

#### **REQUIREMENTS**

- All properties will develop and implement a preventative maintenance system addressing all structural, mechanical, and cosmetic aspects of each property. Servicing, adjustments, and testing information shall be obtained from equipment operational manuals, technical bulletins, and/or recommendations of competent technical personnel. All preventative maintenance will be adequately documented. Where the tenant is responsible for the HVAC preventative maintenance, a copy of the contract that tenant has executed with a qualified mechanical contractor shall be maintained and the minimum standards shall be attached to each lease agreement.
-

## **3. MAINTENANCE AND ENGINEERING**

### **SECTION 3.4 THERMOGRAPHIC TESTING**

#### **OBJECTIVE**

- To ensure that electrical equipment is properly maintained and to prevent costly breakdown, risk to occupant life and safety, and excess liability to ownership.

#### **RESPONSIBILITY**

- Maintenance Engineer.

#### **REQUIREMENTS**

- Institute a thermographic testing program for the building's major electrical equipment at all properties. Records of tests and corrective actions shall be documented in writing. All major switch gear shall be tested once per year and bus ducts and panels shall be tested once every three (3) years.
- 

### **SECTION 3.5 DAILY INSPECTIONS AND LOGS**

#### **OBJECTIVE**

- To ensure that building systems and equipment achieve maximum operating efficiency and to minimize the potential for mechanical failure.

#### **RESPONSIBILITY**

- Maintenance Engineer.

#### **REQUIREMENTS**

- Monitor chillers, water treatment, fire alarm panels, emergency generators, sprinkler systems, lawn sprinkler systems, and work orders at a minimum. The program must include a definition of personnel responsibilities, frequency of tasks, description of items to be monitored, and verification of the appropriate individual and time of inspection.
- 

### **SECTION 3.6 LICENSING AND PERMITS**

#### **OBJECTIVE**

- To ensure and monitor that each property obtains the applicable local, state, and national requirements of governmental agencies.

#### **RESPONSIBILITY**

- Maintenance Engineer.

#### **REQUIREMENTS**

- System must be in writing and must address expiring licensing and permits. Keep the original of all licensing and permits in a fire-proof and secured cabinet.
- 

### **SECTION 3.7 INVENTORY CONTROL**

#### **OBJECTIVE**

### **3. MAINTENANCE AND ENGINEERING**

- To ensure that critically important equipment, parts, and supplies are available to avoid lengthy and expensive equipment down time.

#### **RESPONSIBILITY**

- Maintenance Engineer.

#### **REQUIREMENTS**

- Develop and implement an inventory system that identifies critical parts, maintains all necessary vendor information to permit emergency procurement, maintains historically adequate inventory of critical lead time parts, and provides for the security and accountability of the inventory.
- 

### **SECTION 3.8 ACCESS CONTROL**

#### **OBJECTIVE**

- To ensure the safety of the property and its occupants and to minimize Ownership liability exposures.

#### **RESPONSIBILITY**

- Maintenance Engineer.

#### **REQUIREMENTS**

- Develop and implement a detailed written program of maintenance and inventory of all access control equipment and supplies at all properties. Method of collecting and deprogramming the access cards from tenants that have vacated shall be implemented.
- 

### **SECTION 3.9 ENVIRONMENTAL ISSUES**

#### **OBJECTIVE**

- To identify and address any and all environmental requirements. To provide an environmentally safe environment for tenants, employees, visitors, and contractors and to minimize Owner's liability exposure due to improper handling or miscommunication of hazardous materials.

#### **RESPONSIBILITY**

- Maintenance Engineer.

#### **REQUIREMENTS**

- At a minimum, Asbestos Management, Indoor Air Quality, CFC's Management, Hazardous Waste Disposal, Underground Storage Tanks (UST), PCB's, and a Hazardous Communication Program; and other issues raised in Phase I of Environmental Study if applicable.
-

## 4. ADMINISTRATION

### SECTION 4.1 WORK ORDER SYSTEM

#### OBJECTIVE

- To ensure that tenant and building maintenance requests are being processed in a timely fashion and that all billable items are charged to the appropriate tenant.

#### RESPONSIBILITY

- Work Order Coordinator/Property Manager.

#### REQUIREMENTS

- Record all incoming tenant work order requests and enter the information into the property management software.
  - Check for work orders daily and update the maintenance technician.
  - Reconcile the work orders on a monthly basis. All billable items will be itemized and given to the property accountant for posting.
  - Develop a three (3)-part, carbonless form. Each work request, both work specific to the property and tenant work requests, is then documented on the first section of the form (date the request was taken and identifies the work to be performed and contact name and number) by a member of the management staff.
  - Retrieve the work request form (leaving a copy of the form with the management office for tracking purposes). The staff member who performs the required task(s) completes the second part of the form (date, time, and materials) and obtains the necessary signature from tenant / client, and delivers the form back to the office manager. Finally, all items that are billable are itemized and invoiced to the tenant.
- 

### SECTION 4.2 SERVICE CONTRACT ADMINISTRATION

#### OBJECTIVE

- To ensure a comprehensive analysis of all service contracts, specifying all pertinent economic and service details of each contract (i.e., commencement and renewal dates, costs, services to be performed, etc.). These files should be accessible to all staff members for their review.

#### RESPONSIBILITY

- The Property Manager shall be responsible for maintaining Service Contract Binders that shall contain executed copies of all current property contracts. These binders shall be kept in the common filing area of the office of the building.
- A comprehensive list of all the service contractors, contact names and phone numbers, the corresponding service(s) provided, and contract expirations should be incorporated into the Service Contract Binders. Additionally, information regarding service contract billing should also be noted.

#### REQUIREMENTS

- Include all service contracts in the binders.
  - Include a thirty (30)-day agent cancellation clause in all contracts.
  - Stagger contract expiration dates to minimize the stress generated from a multitude of contracts expiring and being bid simultaneously.
  - Management agreements with the third-party owners specify compliance.
-

## **4. ADMINISTRATION**

### **SECTION 4.3 ELEVATOR OPERATIONS**

#### **OBJECTIVE**

- To ensure the safety of all users, achieve competitive pricing and optimum levels of vendor contract services, and maintain elevators in a first rate condition.

#### **RESPONSIBILITY**

- Property Manager.
- On a weekly basis, a member of the management staff and the vendor representative should physically inspect all vertical transportation apparatus.

#### **REQUIREMENTS**

- Bid and negotiate Elevator Maintenance Contracts a minimum of every three (3) years.
  - Develop and implement Preventative Maintenance Schedules.
  - Hire an independent consultant to conduct monthly contractor performance appraisals when a property's vertical transportation requirements are substantial. Monthly meetings should be scheduled (property manager, contractor representative, and consultant) to review said performance appraisals and miscellaneous operational issues.
  - Perform state inspections and certifications annually.
  - A log or manual should be maintained pertaining to equipment inspections.
  - Define specific safety procedures concerning the use of vertical transportation equipment that has been involved in an incident/injury.
- 

### **SECTION 4.4 JANITORIAL MAINTENANCE**

#### **OBJECTIVE**

- To ensure optimum enjoyment of the facilities by all building occupants and to achieve competitive pricing and highest performance of the vendor contracted services.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Bid and negotiate Janitorial Contracts a minimum of every three (3) years.
  - Conduct daily and/or weekly property reviews with the cleaning supervisor and a member of the management staff.
  - Audit Janitorial payroll shifts and bid-specified cleaning schedules monthly.
  - Bid the cleaning supplies contract on an annual basis to verify competitive pricing.
  - Monitor the vendor's inventory of supplies sporadically.
- 

### **SECTION 4.5 RECYCLING / WASTE REMOVAL**

#### **OBJECTIVE**

- To demonstrate a corporate philosophy that is dedicated to preserving the environment while minimizing expenses.

## **4. ADMINISTRATION**

### **RESPONSIBILITY**

- Property Manager.
- The contractor should be responsible for the maintenance of all on-site equipment.

### **REQUIREMENTS**

- Bid and negotiate the recycling/waste removal contract a minimum of every two (2) years due to fluctuating market conditions in this industry.
  - Recycle/dispose all office trash by the Janitorial cleaning staff. Office tenants are to be supplied with waste and recycling receptacles and then the janitorial cleaning staff is to dispose of the materials in the appropriate, designated areas.
  - The retail tenants are solely responsible for the disposal of their store trash to the appropriate, designated areas.
- 

## **SECTION 4.6 LANDSCAPING AND GROUNDS MANAGEMENT**

### **OBJECTIVE**

- To ensure optimum enjoyment of the facilities by all building occupants, and to maintain competitive pricing and highest performance of the vendor contracted services.

### **RESPONSIBILITY**

- The Property Manager has direct responsibility for this and all other service contracts.

### **REQUIREMENTS**

- Bid and negotiate contract a minimum of every three (3) years.
  - Conduct weekly property reviews with the landscaping account representative and a member of the management staff.
  - Keep a maintenance log of the property inspections and all subsequent items that were discussed.
  - Include the provision for the immediate disposal and replacement of damaged or dying items in all contracts.
- 

## **SECTION 4.7 AUTHORIZATION LEVELS**

### **OBJECTIVE**

- To maintain tight control of all non-contracts property expenses keeping all budget expense account line items balanced and to maintain competitively priced vendor services.

### **RESPONSIBILITY**

- Property Manager.

### **REQUIREMENTS**

- Ownership is responsible for setting the authorization limits for each staff member that is authorizing non-contract property expenses.
- 

## **SECTION 4.8 EMERGENCY PREPAREDNESS/CRISIS MANAGEMENT**

### **OBJECTIVE**

## **4. ADMINISTRATION**

- To establish precise communications and life safety programs that are to be implemented and followed in the event of emergency. The goal of such programs should be to ensure the safety of all building occupants while addressing potential issues of ownership liability.

### **RESPONSIBILITY**

- Property Manager.
- All members of the management team will attend annual meetings to continually refine the program. The Property Manager and the contracted security firm shall be responsible for training all security personnel with regard to emergency procedures and building evacuation procedures and to maintain the emergency contact phone list, providing quarterly updates to all parties involved.

### **REQUIREMENTS**

- Establish communications program.
- Carry pagers issued to the all management personnel 24 hours, seven days a week.
- Compile emergency contact telephone lists that include all personnel and vendor phone numbers (home, office, cellular, pager, and facsimile numbers to be included). The telephone lists are then distributed to all management personnel. The lists are updated monthly. Additionally, a pocket-sized, laminated card that includes the telephone numbers for all key management personnel and significant vendors is distributed to and carried by all management personnel. Cellular phones and facsimile machines stored in predetermined locations throughout center. Establish several locations in the building to be used as command posts in the event the Office of the Building is inaccessible. The life safety program should include: Predetermination of several locations on the property to store quantities of necessary life safety equipment (traffic cones with reflective tape for heightened visibility, flashlights, bullhorns, Motorola radios, cellular phones, facsimile machines, general first aid supplies). Evacuation plans shall be developed for each section of the building. Architectural drawings of key areas of the building shall be accessible.

---

### **SECTION 4.9 RISK MANAGEMENT**

#### **OBJECTIVE**

- To minimize the potential financial liability to ownership through effective management of potential and / or hazardous conditions that exist in the building.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Establish program for tracking claims.
- Prepare a list of insurance providers listing, type, deductible, and coverage period for each property.

---

### **SECTION 4.10 INCIDENT REPORTING/INSURANCE CLAIM FORM**

#### **OBJECTIVE**

- To maintain accurate records regarding incidents/injuries that occur on property.

#### **RESPONSIBILITY**

- Property Manager.

## **4. ADMINISTRATION**

### **REQUIREMENTS**

- Develop and utilize a standard Incident Reporting Form by all personnel. Additionally, a standardized routing procedure should be implemented so that key management personnel are kept informed. Incident Reports should be kept on file for a minimum of seven (7) years.
  - Submit incident report to the Insurance Carrier.
- 

### **SECTION 4.11 CERTIFICATES OF INSURANCE**

#### **OBJECTIVE**

- To ensure that all tenants and vendors operating within the building have obtained the necessary insurance coverage minimizing the potential liability to the owners.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Identify and communicate to all tenants and vendors performing work in the building the required coverage and the name of the appropriate additional insured. A Sample Certificate of Insurance should be completed and faxed to the appropriate party whenever necessary.
  - Maintain a Certificate of Insurance Log Book and update annually for both tenants and vendors, so that expiring Certificates of Insurance can be renewed prior to expiration.
  - No service contractor is to be allowed to perform any work on the property until they have supplied evidence of the required Certificate of Insurance.
  - The office manager is responsible for maintaining the Certificate of Insurance files for all office and retail tenants, as well as all vendors operating in the building through a service contract agreement.
  - The Property Manager is responsible for verifying that all non-service contract vendors performing work in the building have provided evidence of the required coverage.
- 

### **SECTION 4.12 PROPERTY TAX MANAGEMENT**

#### **OBJECTIVE**

- To monitor and control a property's overall real estate and personal property tax obligations and to ensure timely filing.

#### **RESPONSIBILITY**

- Property Manager

#### **REQUIREMENTS**

- Keep all tax parcel legal descriptions on file at the property and match annually to the real estate tax invoices received from the government; submit quarterly.
  - Approve all property tax settlements by the property Owner.
  - Forward annual tax bills and abatement filings to the Property Manager for review.
  - Handle litigation and appeals through the property's real estate tax counsel, and/or consultant.
  - Issue promptly all tax payments to avoid any fees (interest) assessed on late payments.
  - Submit quarterly updates regarding the status of the property tax protest and on-going negotiations with the tax authorities.
-

## **4. ADMINISTRATION**

### **SECTION 4.13 MANAGEMENT AGREEMENTS**

#### **OBJECTIVE**

- To delineate performance requirements and related compensation for Manager and the Preferred Service Provider.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Draft a compliance calendar outlining management's responsibilities under each agreement.
- 

### **SECTION 4.14 MANAGEMENT OFFICE ADMINISTRATION**

#### **OBJECTIVE**

- To communicate to all staff members the corporate policies and procedures to which each staff member will be expected to adhere.

#### **RESPONSIBILITY**

- Office Manager/Property Manager.

#### **REQUIREMENTS**

- Develop and distribute the office policies and procedures handbook to the staff under separate cover. Such policies shall include office hours, employee conduct, dress code, appearance, attitude and behavior, lunch breaks and lunch area policies, overtime authorization procedures, processing of vacation requests, contact required to be made when out ill or with personal emergencies, employee benefits administration, emergency procedures, confidentiality requirements, disciplinary process, and resolution procedures.
  - Ensure that all property employees receive a copy of the handbook and return a Receipt Acknowledgment Form to be filed in their personnel files.
- 

### **SECTION 4.15 MANAGEMENT OFFICE HOURS**

#### **OBJECTIVE**

- To establish and notify all property personnel and building occupants of the hours of operation.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- These stated office hours are a minimum requirement for all management personnel. In the event of an emergency after hours the telephone system will notify the Property Manager's cellular telephone.
- The management office observes the following holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, and Christmas. All members of the management staff carry pagers and cellular telephones. The Property Manager makes certain that ample personnel are available to report to the property on any given holiday in the event of an emergency.

## **4. ADMINISTRATION**

### **SECTION 4.16 MANAGEMENT OFFICE TELEPHONES**

#### **OBJECTIVE**

- To streamline communications, to provide the optimum level of service to all incoming telephone inquiries, and to monitor expenses.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Implement procedures so that all in-coming telephone calls are answered personally during standard office hours (no automated greetings).
  - After hours an automated attendant answers the phone lines. All callers have the option of entering the desired extension or using a company directory to determine the appropriate extension.
  - Determine procedures regarding appropriate voice mail greetings and when to update such greetings.
  - Clarify the corporate policy regarding use of business telephones for personal matters and the specified disciplinary action to be taken for such violations must be reviewed with all employees.
  - Determine the greeting used and ensure that protocol is followed.
- 

### **SECTION 4.17 FILE MANAGEMENT STANDARDIZATION**

#### **OBJECTIVE**

- To ensure proper filing and storage of pertinent documents.

#### **RESPONSIBILITY**

- Property Manager.
- The office manager is responsible for the organization and maintenance of the on-site tenant, vendor, and correspondence files.

#### **REQUIREMENTS**

- Establish and maintain separate files for the various aspects of the project (Tenant, Vendor, Account Payables and Receivables, and Correspondence). Alphabetize Tenant files by the tenant name and should be kept in a location in the office that is accessible to all pertinent personnel. Each tenant file should contain the following sections; Lease Documents, Billing/Accounts Receivable, Monthly Sales, Correspondence.
  - Review all files and purge dated materials to the designated storage location on an annual basis. Ownership to dictate retention period on file maintenance.
  - Retain an executed original of all tenant Lease documents in addition to the files kept on-site for the property's owners, lenders, and legal counsel.
- 

### **SECTION 4.18 FILE RETENTION**

#### **OBJECTIVE**

- To ensure that records are maintained in good condition for the period of time designated by the Owners or as required by law.

## **4. ADMINISTRATION**

### **RESPONSIBILITY**

- Office Manager.

### **REQUIREMENTS**

- Maintain all accounts payable, expired and terminated tenant files, and contractor/vendor files on-site for a period of seven (7) years or as otherwise stated.
  - Ownership is responsible for conveying the file maintenance schedule to the Property Manager who in turn shall convey that schedule to the Office Manager / Property Accountant for implementation.
- 

## **SECTION 4.19 SECURITY OPERATIONS**

### **OBJECTIVE**

- To streamline the property security operations to ensure the health and safety of the building occupants while minimizing the properties' potential exposure for negative publicity and/or liability.

### **RESPONSIBILITY**

- Director of Security / Property Manager.
- When the Security Operation is not contracted, it is the responsibility of the properties' Director of Security and Property Manager to develop the Security Operations Manual and to have it approved by ownership.

### **REQUIREMENTS**

- Provide Security personnel Security Operations Manuals with specific information regarding corporate, on-site, and departmental operating procedures. Standard Operating Procedures must detail all facets of a Security Officers' responsibilities. Additionally specifics must be incorporated regarding Emergency Procedures, Evacuation Procedures, Training, General Orders, and Employee Benefits Administration.
  - Security personnel are not permitted to make statements of any kind to the media with respect to the property or any incident thereon.
  - Develop a policy for assessing whether the Security Operation should be contracted or in-house. Generally speaking, the Security Operation is a contracted service at most properties. As such it is the contractor's responsibility to develop the Security Operations Manual and to have such document approved by the ownership and the Property Manager. If the service is contracted it should be assigned independent status.
- 

## **SECTION 4.20 PARKING OPERATIONS**

### **OBJECTIVE**

- To streamline the property's parking operations to ensure the satisfaction and safety of the building occupants while maximizing the property's revenue stream and minimizing the potential exposure for negative publicity and/or liability.

### **RESPONSIBILITY**

- Generally speaking, the Parking Operation is a contracted service at most properties. As such it is the contractor's responsibility to develop the Parking Operations Manual and to have such document approved by the ownership and the Property Manager. If the service is contracted then it should be assigned independent status.

## **4. ADMINISTRATION**

### **REQUIREMENTS**

- Develop an extensive Parking Operations Manual that provides parking personnel with specific information regarding corporate, site, and departmental operating procedures. Standard Departmental Operating Procedures must detail all facets of the Parking employee's responsibilities (cashier, attendant, and managers procedures, as well as employee benefits administration).
  - Authorize Parking Rates and Validation Programs by ownership and the Property Manager prior to implementation.
  - All Parking Vendor Service Contracts must contain a provision for ownership to audit the operation.
  - Determine and obtain appropriate insurance coverage as cost effectively as possible.
- 

### **SECTION 4.21 CONTRACT BIDDING**

#### **OBJECTIVE**

- To ensure that the property is receiving the most economical cost and quality services from its service contractors. Performance standards and stipulations vary based on the building's requirements.

#### **REQUIREMENTS**

- Building personnel have no authority to neither supervise nor instruct employees of contracted services. Infractions of performance by service agencies are to be resolved between designated management Supervisors and the contractor's designated supervisory employees.
  - Write and submit the specifications for the specific contract service to at least three (3) prominent companies that can provide the quality services. Length of the contracts vary based on specifications and the contractor's start-up costs and assumption of liabilities, e.g., the elevator service contract is generally five (5) years initially if the contractor assumes liability for the mechanical parts replacement.
  - Maintain a log detailing the name of the present contractor, specifications for performance standards, internal inspections of compliance with the standards, and names and cost proposals from the competitive set.
-

## **5. ACCOUNTING AND REPORTING**

### **SECTION 5.1 OPERATION REPORTS**

#### **OBJECTIVE**

- To report on the month and year-to-date transactions and resulting book value including identification of emerging trends.

#### **RESPONSIBILITY**

- Property On-site Controller, Property Manager, Director of Leasing.

#### **REQUIREMENTS**

- Submit monthly by the 7th of the following month.
  - Provide financial statements with accompanying cash flow schedules. Report should encompass operations, leasing, marketing, capital expenditures, and other reports as requested by the Owner. Various schedules supporting balance sheet accounts are also included.
- 

### **SECTION 5.2 VARIANCE REPORTS**

#### **OBJECTIVE**

- To communicate explanations of operating and capital variances from the approved annual budget and to identify trends or changes in operations.

#### **RESPONSIBILITY**

- Property Manager, Property on-site Controller.

#### **REQUIREMENTS**

- Submit monthly - Due on the 1st of the following month.
  - The Property Manager will receive the monthly operating statements from accounting approximately the 1st of each month. A spreadsheet is utilized showing year-to-date budget vs. actual along with explanations for variances within the specified criteria. The report is included with the monthly financial statements.
  - Explain variances in accordance with the management agreement parameters. If the management agreement is silent then year to date variances of + or - 10% and no less than \$5,000 should be explained.
  - The character of the variance (permanent or timing) is to be noted. Also, indicate if the variance impact by year-end (e.g., base rent is under budget due to delay in leasing suite XX, which is now expected to be leased \_\_\_ months later. By year end, this variance will have grown to \$\_\_\_\_). If an accounting error is to blame for a variance, say this and what the variance should have been. Finally, note if the change is due to a circumstances or is indicative of an emerging trend (e.g.: utility costs are greater than budget due to an unanticipated rate change).
- 

### **SECTION 5.3 BALANCE SHEETS**

#### **OBJECTIVE**

- To report property book value and equity position.

#### **RESPONSIBILITY**

- Property on-site Controller, Property Accountant.

## **5. ACCOUNTING AND REPORTING**

### **REQUIREMENTS**

- Review the balance sheet monthly and reconcile all accounts at a detailed level such that all balances are easily supported. Various spreadsheets are to be created and included in the monthly reporting package. Each and every balance on the balance sheet should have a reconciliation performed. Roll-forward schedules are to be utilized for fixed assets and other similar accounts. It is also recommended to compare balances to the prior year for reasonableness as a review step.
- 

### **SECTION 5.4 INCOME STATEMENT**

#### **OBJECTIVE**

- To provide an accurate statement representing the financial operations for the current month and year-to-date operations in relationship to the annual budget and the latest reforecast, purchase pro-forma, or prior year.

#### **RESPONSIBILITY**

- Property on-site Controller, Property Accountant, Property Manager.

#### **REQUIREMENTS**

- Produce monthly in conjunction with the financial package. The report can be run from the financial software utilized unless special requirements are communicated by the Owner.
  - Conform the categories presented to those on the approved budget summary.
- 

### **SECTION 5.5 CHART OF ACCOUNTS**

#### **OBJECTIVE**

- To ensure comparability of transactions within an owner's property portfolio and to provide sufficient separation of activity to report meaningful information.

#### **RESPONSIBILITY**

- Property Accountant.

#### **REQUIREMENTS**

- Submit monthly or as needed.
  - Communicate with the property owner to obtain specific chart of accounts requirements and limitations. The chart of accounts is to be updated as needed and allowed. Any changes are to be communicated to property management and affected parties.
- 

### **SECTION 5.6 GENERAL LEDGER SYSTEM**

#### **OBJECTIVE**

- To provide financial history of real estate transactions for events occurring during the month.

#### **RESPONSIBILITY**

- Property Accountant.

## **5. ACCOUNTING AND REPORTING**

### **REQUIREMENTS**

- Submit monthly.
  - Post all accounting transactions to the general ledger on a monthly basis from the AP, AR, and any other subsystems. The current accounting software is YARDI. It is important to utilize proper coding descriptions for all general ledger and account payables transactions (e.g., utilities should include period covered, lease commissions should include suite number and Tenant name). Be sure the general ledger is in balance. This is not readily apparent with all accounting systems.
- 

### **SECTION 5.7 CASH FLOW REPORTING**

#### **OBJECTIVE**

- To provide projections of property cash flows to the Owner to assist in cash management activities.

#### **RESPONSIBILITY**

- Property Manager, Property Accountant.

#### **REQUIREMENTS**

- Submit monthly (with monthly report) & Quarterly (15 days after month-end)
  - The monthly report contains a Statement of Cash Flows which satisfies the monthly requirements. Quarterly, a projection of cash flows is performed that includes a 90-day projection of cash needs compared to original budget.
- 

### **SECTION 5.8 BANK RECONCILIATION**

#### **OBJECTIVE**

- To reconcile banking activity as recorded in the property books to the bank records.

#### **RESPONSIBILITY**

- Property Accountant.

#### **REQUIREMENTS**

- Completed on a monthly basis. Bank statements are received approximately by the 5th of the month. The reconciliation should be performed in sufficient time to allow any possible corrections necessary to be initiated (i.e., 20th of the month). Additionally, any interest income or bank fees should be recorded at this time. Controller is to approve all bank reconciliations. Outstanding items are to be sorted by date.
  - Include bank reconciliations with bank statement copies in the monthly operating report to the owner.
- 

### **SECTION 5.9 CHECK REGISTER**

#### **OBJECTIVE**

- To provide records of all property disbursements.

#### **RESPONSIBILITY**

## **5. ACCOUNTING AND REPORTING**

- Property Accountant.

### **REQUIREMENTS**

- Review register at time of any disbursement.
- 

### **SECTION 5.10 CASH MANAGEMENT - RECEIPTS**

#### **OBJECTIVE**

- To provide control of all cash received at the property.

#### **RESPONSIBILITY**

- Property Accountant.
- The accountant is responsible for overseeing all banking relationships in accordance with any requirements established by the owner.

#### **REQUIREMENTS**

- Where applicable, rents are sent from the tenants directly to the lockbox held at a local bank. In some instances, checks are received directly at the management office and a log is maintained documenting the monies received. These monies are forwarded to the lockbox. All property receipts are sent through the lockbox account with the exception of vending cash collected. Vending receipts are deposited at the teller windows (See Section 5.18-Vending Collections). Additionally, the daily lockbox deposits are faxed from the bank identifying the tenant name, check number, and deposit amount. These faxes are utilized to determine up to date collections without waiting for the return of deposit advices from the bank.
- 

### **SECTION 5.10A CASH MANAGEMENT - DISBURSEMENTS**

#### **OBJECTIVE**

- To provide control over cash disbursed at the property through adequate controls over the disbursement of property funds and to minimize or eliminate the possibility of loss.

#### **RESPONSIBILITY**

- Property Accountant.

#### **REQUIREMENTS**

- Establish separation of duties for the disbursements of property funds. All invoice entry is performed by the Accounts Payable Administrator and reviewed by the Property Accountant or Controller. Checks are printed by the Accounts Receivable Administrator and logged in a check log and reviewed by the Controller. Check signing is performed by the Property Manager where authority has been granted.
- 

### **SECTION 5.11 CASH RECEIPTS JOURNAL**

#### **OBJECTIVE**

- To provide a detailed report of cash receipts collected by the property.

#### **RESPONSIBILITY**

## **5. ACCOUNTING AND REPORTING**

- Property Accountant.

### **REQUIREMENTS**

- Daily/Monthly.
  - Enter all cash received at the property through the Cash Receipts reporting module of the accounting software including non-tenant receipts. Run the Receipts Statement several times during the month to determine delinquent tenants and to perform general account research since the report contains charge and receipt information. The report can be run historically for any time period. Total deposits should agree to the monthly bank statement.
- 

### **SECTION 5.12 VENDING**

#### **OBJECTIVE**

- To account for and track vending revenue received at the property.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Collect cash/coins via vending machines located throughout the buildings by a designated maintenance person. Each machine's collections are documented and recorded. A copy of the collection report is given to Accounting and the cash along with the original report is given to the receptionist to roll and place in keyed lockbox. Total collections are verified and monies are forwarded to available administrative person to deposit to the bank. Deposit ticket is returned to Accounting for a recording of deposit.
- 

### **SECTION 5.13 PETTY CASH**

#### **OBJECTIVE**

- To safeguard cash held on hand, while allowing ease of payment of incidental expenses.

#### **RESPONSIBILITY**

- Property Accountant, Office Manager.

#### **REQUIREMENTS**

- Maintains a locked petty cash box located within the confines of Office Manager's office. All requests for petty cash must be accompanied with a receipt or voucher for cash removed if exact amount needed is unknown at the time.
  - Prepare a reconciliation when the fund is near depletion listing all expenditures, purpose, amount, general ledger coding, etc. An invoice is submitted to Accounting for review and payment. Authorization by the Property Manager is necessary. The check is paid to the office manager as petty cash officer and added back to the fund.
- 

### **SECTION 5.14 PROPERTY TAX ACCOUNTING**

#### **OBJECTIVE**

## **5. ACCOUNTING AND REPORTING**

- To facilitate the timely payment and recording of real estate taxes.

### **RESPONSIBILITY**

- Property Accountant, Property Manager.

### **REQUIREMENTS**

- Review all returns. Appealed taxes for prior years will have a variable due date. The tax parcel must be identified as to the assessed area within the building complex such that appropriate logical allocations can be made if necessary. Proper allocation is essential since there is a direct effect on the operating expenses passed through to the tenants.
- Prepare invoices well in advance and coding should include the tax parcel identification number. Late fees are substantial so timely preparation is essential. Checks are delivered to the tax consultant 2-3 days prior to the due date to assure timely payment.

---

### **SECTION 5.15 METERED UTILITY INCOME/HVAC AFTER-HOURS BILLINGS**

#### **OBJECTIVE**

- To properly bill tenants for sub-metered and after-hours HVAC expenses and to record the appropriate reduction in building electric pass-through expense.

#### **RESPONSIBILITY**

- Accounts Receivable Administrator, Property Manager.

#### **REQUIREMENTS**

- Update monthly at a minimum.
- Maintain records of all tenant suites that contain a sub-meter for direct billing of electric usage. Monthly, the meters are read (generally, the 30th) and forwarded to Accounting for billing purposes.
- Maintain a spreadsheet that calculates utility costs based on the current month usage. The Administrator will utilize the current electric bill to obtain a per-kilowatt rate for the period. This spreadsheet will generate an Accounts Receivable Entry Form as well as individual bills to each tenant that are attached to the monthly tenant statements for support. Deadline for the Accounts Receivable Administrator is the 18th of each month.
- Deduct the metered electric expense from the building electric cost at the time the power bills are coded. This eliminates double collection of electric costs (i.e., Operating expense recovery and metered income). Additionally, the Accounts Receivable administrator will input the HVAC Tenant charges that are forwarded by engineering along with all other Tenant Work Orders. They are charged to the Tenant using the appropriate billing code to separate these billings from metered billings. At the end of the year the cost of the HVAC usage is treated as a reduction of escalatable utility pass-through expenses (i.e., a reduction in building electric expense).

---

### **SECTION 5.16 REAL ESTATE TAX ESCALATIONS**

#### **OBJECTIVE**

- Incorporated with Section 5.17 Operating Escalations.

#### **RESPONSIBILITY**

- Property Manager.

## 5. ACCOUNTING AND REPORTING

### REQUIREMENTS

- Escalate property taxes separately from the total operating expenses due to its higher weighted cost. By performing independent escalations, there is less likelihood of a total reduction in building cost pass through due to a reduction in property taxes. The standard lease should be written such that taxes are a separate escalation from other operating expenses.

---

### SECTION 5.17 OPERATIONS EXPENSE ESCALATIONS

#### OBJECTIVE

- To determine the tenant's share of operating expenses associated with operating the property for a given period of time in accordance with the lease provisions.

#### RESPONSIBILITY

- Property Accountant, Property Manager.

#### REQUIREMENTS

- Prepare at time of budget preparation - August/September. Prepared prior to year-end (December) for recording of accrued income/expense based on operating pass-through true-up estimate. Complete final schedule for tenant billing for March billings (e.g., February 20th).
- Prepare the expense summary that will assist in the operating expense pass-through calculations per square foot. Summarize the operating expenses directly from the year-end operating statement. Adjust amounts for any prior year reversals and current year accruals. These amounts will be linked to the operating expense summary worksheet when further adjustments will be made for HVAC bill-backs, metered electric, gross-ups, and any deferred charges, resulting in a psf pass-through amount generated. The psf amount will be used to determine the actual per tenant share.
- Use a separate spreadsheet to calculate each tenant's appropriate share of the operating expenses. Update the spreadsheet for the current year occupancy and leasing activity, as well as any new base years. The Owner Approval is needed for the annual expense true-ups prior to billing the Tenants.

##### Estimations:

Based on Budget that is prepared in August – October.

Tenant monthly estimations forwarded to accounting by Property Management to be included with January invoices.

Letters of estimate notification prepared and sent by Property Management by December 1st of each year.

##### Reconciliation:

True-up estimates needed prior to year-end for recording of accrued debits/credits. This should be performed in mid-year as well if it is apparent that expenses will not be in line with estimates,

Final true-up performed by Controller from audited year-end statement noting gross-ups, adjustments, etc. Completed within ninety (90) days after year end or as specified in the lease.

Send final reconciliation letter to Tenant on or around March 1st.

- Record the final escalation true-up amounts to the General Ledger account - "Prior Year True-up "

#### DEFERRED MAINTENANCE

- There may be the instance where on a GAAP basis expenditure has been capitalized, but can still be passed back to the Tenant through escalations. This is typically restricted to deferred maintenance projects (e.g., pavement rehab) or capital items that reduce building expenses (e.g., lighting retrofits).

## **5. ACCOUNTING AND REPORTING**

The retrofit pass-through items are generally defined in most leases, while the justification for deferred maintenance is that the projects are truly classified as maintenance, but the projects benefit several periods, and it is more equitable to both Tenant and Landlord to spread the cost over several periods. In addition, many leases allow the cost of capital (i.e., interest expense) to be passed back as well. Avoid setting base years with unusually high deferred maintenance pass-throughs.

### **OTHER MISCELLANEOUS PROVISIONS**

- The Property Manager may recommend a market adjustment if the expenses are out of line with the local real estate average. This must be approved by the Owner.
- If it becomes apparent that the operating expenses of the building will be significantly different than the estimate, then good tenant relations warrant notice to the appropriate Tenants.
- Tenants that vacant in mid-year can be handled in two ways. The first is to make the best estimate of expenses to date and to do a reconciliation at move-out. No year-end true-up will be performed if this is done. If the Tenant makes significant contributions, then it is best advised to do a year-end true-up along with the remaining tenants in the building. If collection is an issue an interim true-up should also be performed.

---

### **SECTION 5.18 CPI (CONSUMER PRICE INDEX) ESCALATIONS**

#### **OBJECTIVE**

- To assure accurate billing of tenants for appropriate rate increases, based on indices in lease provisions.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Determine tenants subject to CPI increases through the assistance of the rent roll. Obtain the applicable CPI index from the appropriate financial publication (Bureau of Labor Statistics for the CPI index) and calculate the appropriate increase. Reflect the increase in the current billing cycle.

---

### **SECTION 5.19 RENT ROLL**

#### **OBJECTIVE**

- To provide an accurate record of occupancy, rental charges, lease dates and lease options, or special stipulations.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Provide monthly.
- Forward all leasing activity and changes in leasing/occupancy to the Property Manager. Update rent roll prior to billing cycle. Reconcile the rent roll to the Leasing Report (included in the Financial Statements). Indicate any variances (e.g., Space leased, but not yet occupied by Tenant). Also, reconcile the rent roll to the total building square footage.
- Complete move in/out, Notice Address Change Forms.
- Complete Security Deposit Form.

## **5. ACCOUNTING AND REPORTING**

- Complete and distribute Rent Memo upon tenant signature on lease.
- 

### **SECTION 5.20 TENANT BILLINGS**

#### **OBJECTIVE**

- To provide notification of current amounts due from the tenants and to assist in the timely collection of rents through proper billing documentation.

#### **RESPONSIBILITY**

- Property Accountant, Accounts Receivable Administrator.

#### **REQUIREMENTS**

- Provide monthly.
  - Mail or hand-deliver rental billings by the 20th of each month. Include in the billings all current month recurring rental charges as well as any sundry billings such as metered electric, work orders, Tenant improvements, and extra hours HVAC. Attach support to each invoice for any current month sundry charge. Additionally, keep a log for any unusual billing circumstances, such as tenants that request early fax notification. Retain the Tenant statements for a period of 2 to 3 months such that if any Tenant questions arise, both the Tenant and Manager will have the same document in question. Old statements can be discarded.
  - No billing to the Tenant's account should occur without properly executed leases, amendments, etc.
- 

### **SECTION 5.21 TENANT CHARGE-BACKS**

#### **OBJECTIVE**

- To assure that all work authorized and goods purchased on behalf of the tenant are properly reimbursed.

#### **RESPONSIBILITY**

- Property Accountant/ Property Manager.

#### **REQUIREMENTS**

- Reimburse upon invoice receipt.
  - Copy and forward all invoices coded to tenant reimbursements to the Accounts Receivable Administrator. Note on the packing slip if the invoice is to be charged back to the tenant. Log the invoices into a worksheet recording the suite number, tenant, vendor, date, and amount. Receive work orders from engineering and upon monthly billing cycle, check all work orders against the log. Record the Work order number in the log book. Follow up with Engineering any unbilled invoices until resolved.
- 

### **SECTION 5.22 SECURITY DEPOSITS**

#### **OBJECTIVE**

## 5. ACCOUNTING AND REPORTING

- To record and maintain accurate records of all security deposits held in escrow account. To release deposit at lease termination after property inspection.

### RESPONSIBILITY

- Property Accountant/ Property Manager.

### REQUIREMENTS

- Record upon receipt of deposit or move-out of tenant.
- Collect security deposits at the time the lease is signed by the Tenant. Clearly note on the check all security deposits received as "security deposit for suite #\_\_\_\_\_". Deposit the security deposit after the Landlord has approved the lease, and the payments are recorded to the tenant's suite via the accounting software system.
- Request all tenants vacating to have the move-out notification form completed by Property Management subsequent to their departure. This form will indicate if any portion of the deposit should be held for property damages. Before releasing the deposit, an outstanding receivable report should be prepared identifying any unpaid charges, and appropriate deductions from the tenant deposit should be made.
- Monthly, the bank statement is reconciled to the general ledger and any differences are resolved. Also earned interest should be periodically transferred to the operating account.

---

### SECTION 5.23 MANAGEMENT FEES

#### OBJECTIVE

- To assure timely payment of management fees in accordance with the current management agreement. To properly allocate fees for consistent and accurate pass-through of expense.

#### RESPONSIBILITY

- Property Manager/ Property Accountant.

#### REQUIREMENTS

- Monthly, during the accounting close-out.
- Fees are to be calculated in accordance with the management agreement to assure that only the specified receipts are used in the fee calculation. At the close of each month prepare the receipts statement to obtain the month's collections. Calculate the appropriate fee utilizing the computer file prepared for assistance. An invoice is prepared and forwarded to Accounts Payable for timely processing by the 7<sup>th</sup> of the month.
- Other requirements are to accrue for the fees at the month end and attach adequate invoice backup so that the invoice is self-supporting. Additionally, fee invoice is included in monthly reports.

---

### SECTION 5.24 AGED RECEIVABLES REPORT

#### OBJECTIVE

## **5. ACCOUNTING AND REPORTING**

- To produce an accurate report detailing delinquent balances by tenant and billing code in order to facilitate collections and determine the probability of same.

### **RESPONSIBILITY**

- Property Accountant/Property Manager.

### **REQUIREMENTS**

- Include in monthly report / prepare as needed
  - Prepare to determine delinquencies for collections as needed. The Aged Accounts Receivable Report is prepared off the system at month end and balances are transferred to a spreadsheet such that comments can be added for each amount outstanding. Prepaid balances are listed separately. This monthly review should be utilized to follow up on any balances that may remain.
  - Prepare spreadsheet for subsequent review by the Property Manager for inclusion in the monthly report to the Owner.
- 

## **SECTION 5.25 COLLECTIONS**

### **OBJECTIVE**

- To assure the timely collection of rents due in accordance with the lease agreement in effect. Additionally, to enforce late fees when applicable to offset collection costs and encourage timely payments.

### **RESPONSIBILITY**

- Property Manager/Property Accountant.

### **REQUIREMENTS**

- Monthly statements due out the 20th of each month.
    - First late notice on 5th.
    - Late letter on 10th.
    - Turn over collection to Property Manager on 20th.
  - Mail statements on the 20th to allow timely payment by tenants. Send delinquent tenants a copy of statement on the 5th by the Accounts Receivable Administrator. If tenant continues to be delinquent by the 10th, then a letter is sent as a 3rd notification of amount due. Charge late fees for rents not received by the 10th, however, tenants that are consistently late are charged fees in strict adherence with the lease.
  - Determine the delinquent tenants through the use of the delinquent report as well as referring to the daily lockbox faxes received and the log of checks hand delivered, not yet recorded by the bank. Miscellaneous work orders and miscellaneous delinquent charges other than base rents are actively pursued after they become sixty (60) days' delinquent. The Accounts Receivable Administrator prepares notices and appropriate back up support to facilitate collection. A second letter is sent after thirty (30) days if non-payment continues and the matter is subsequently turned over to Property Management if not collected five (5) days after the notice.
- 

## **SECTION 5.26 LEGAL SERVICES FEES**

### **OBJECTIVE**

- To obtain competitive legal fees for nature of service rendered.

## **5. ACCOUNTING AND REPORTING**

### **RESPONSIBILITY**

- Property Manager.

### **REQUIREMENTS**

- Limit legal services to lease drafting, lease related issues, and tenant defaults. Legal services outside of those stated above must have approval of the Owner. Contact Office Manager for direction prior to utilizing outside services for issues not approved.
- 

### **SECTION 5.27 WRITE-OFF**

#### **OBJECTIVE**

- To eliminate uncollectible balances from the assets.

#### **RESPONSIBILITY**

- Property Accountant/ Property Manager.

#### **REQUIREMENTS**

- Review after exhaustion of all legal efforts and completion of an asset search.
  - Attempt all collection efforts available as provided for in the lease. If all efforts are unsuccessful, then a write-off request form is sent to the Owner identifying the tenant and nature of uncollectible charges. The Owner is to provide approval prior to recording the bad debt.
- 

### **SECTION 5.28 LITIGATION**

#### **OBJECTIVE**

- To minimize damages.

#### **RESPONSIBILITY**

- Property Manager

#### **REQUIREMENTS**

- Refer all questioning, papers served, etc., to Owner's counsel. For slip and fall injury also copy general liability insurance carrier.
- 

### **SECTION 5.29 PERCENTAGE RENT**

#### **OBJECTIVE**

- To track the sales and related percentage rents for tenants with percentage rent clauses in their lease. Collect all revenues due under the lease and identify the performance of the retail tenants.

#### **RESPONSIBILITY**

- Property Accountant/Accounts Receivable Administrator.

#### **REQUIREMENTS**

- Track monthly at a minimum.

## **5. ACCOUNTING AND REPORTING**

- Copy and file in the percentage rent folder percentage rents received that are accompanied by a sales report when received. Update the schedule used to facilitate the tracking of percentage rents due on a monthly basis.
- 

### **SECTION 5.30 VENDOR TAX IDENTIFICATION NUMBER**

#### **OBJECTIVE**

- To comply with state and federal tax regulations in regard to vendor payment.

#### **RESPONSIBILITY**

- Property on-site Controller, Accounts Payable Administrator.

#### **REQUIREMENTS**

- Obtain prior to new vendor payment.
  - Complete the new vendor set-up form upon receipt of invoice from vendor. Contact the vendor to obtain its tax identification number and nature of its business form (i.e., partnership, corporation). A W-9 form request is sent to the vendor via facsimile or mail for its completion and return. Forward the form to the Controller for review and approval.
  - Updating the vendor database. Retain new vendor set-up forms in a separate file along with the W-9 form returned by the vendor.
- 

### **SECTION 5.31 PURCHASING**

#### **OBJECTIVE**

- To control the authorization of the purchase of goods and services to achieve the lowest operating costs while maintaining a Class-A facility.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Review upon initiation of purchase of goods. Regulate the control of purchasing at several levels. Contain the primary guidelines within the management agreement that authorizes a broad scope of purchasing powers within the management company organization. Additional Owner approval on a more specific basis will be incorporated within the approved annual budget.
  - Identify individual authority within the management organization via a purchasing authorization matrix developed by the management company in adherence to the management contract.
  - Prohibit Management from receiving any kickbacks from purchasing agreements. Additionally, any rebates or credits are to be received directly by the property. No employee of the property is to receive any personal benefits from agreements entered into on behalf of the property.
- 

### **SECTION 5.32 NATIONAL PURCHASING AGREEMENTS**

#### **OBJECTIVE**

- To minimize expenses.

## **5. ACCOUNTING AND REPORTING**

### **RESPONSIBILITY:**

- Property Manager.

### **REQUIREMENTS**

- Research viability of using incumbent vendor being used at other owned properties prior to signing contracts for "major" services. "Major" includes Janitorial, Security, HVAC, Parking Deck Management, and Elevators.
- 

### **SECTION 5.33 BUDGET**

#### **OBJECTIVE**

- To provide a benchmark for the operations of the building

#### **RESPONSIBILITY**

- Property Manager/ Director of Leasing.

#### **REQUIREMENTS**

- Prepare all budgets on a modified-accrual basis. Begin process in July with preliminary planning, the first draft due date is encompassed in the management agreement (November 15) or as specified by Owner. Final budget approval by mid December. Timing may change for reviews. All presentations of budget materials will include the latest reforecast for the current year. Explanations of the changes from the original plan to reforecast and reforecast to next year budget must be included.
  - Coordinate the budget process with the assistance of Accounting and Leasing. Property Management is responsible for producing the following sections: operating expenses, parking deck, health club, income projections, taxes and operating expense pass-throughs, and capital expenditures. Leasing is responsible for occupancy projections including base rents tenant improvement costs, lease commission costs, and marketing expenses.
  - Prepare the budget packages in whatever format that ownership approves.
- 

### **SECTION 5.34 ASSET CAPITALIZATION**

#### **OBJECTIVE**

- To properly account for fixed asset purchases in accordance with GAAP (Generally Accepted Accounting Principles). Also, to provide a vehicle to track and control costs as the job progresses.

#### **RESPONSIBILITY**

- Property Accountant/ Property Manager.

#### **REQUIREMENTS**

- Complete a Capital Appropriation Form (CAF) prior to commencement of non-budgeted capital expenditure and submit to the Owner for all capital expenditures not in approved budget. This form is to include estimate capital expenditures based on specific bids received. After approval is received Accounting receives a copy and files in the approved CAF book for future referral.
- Track all invoices received in relation to the capital job (if these are multiple invoices) via a project status spreadsheet that includes approved cost, project costs to date, current costs, expected costs to complete, and variances from budget and projection. Submit this sheet with each draw for approval. Multiple invoices may be included in each draw. Create a job file for each capital project commenced. Use the project status spreadsheet as a tool to record change orders as well as identify

## 5. ACCOUNTING AND REPORTING

any cost overages, which may trigger a need to lessen the scope of the project if possible or indicate the need to communicate overage to the Owner for approval of additional expenditures.

- Compute construction fees within the same spreadsheet.
- Input completed projects into the fixed asset software program.
- Deferred Maintenance

There may be the instance where on a GAAP basis the expenditure should be capitalized, but can still be passed back to the Tenant through escalations. This is typically restricted to deferred maintenance projects (e.g., Pavement rehab) or capital items that reduce building expenses (e.g., lighting retrofits). The retrofit pass-throughs are generally defined in most leases, while the justification for deferred maintenance is that the projects are truly classified as maintenance, but the projects benefit several periods and it is more equitable to both Tenant and Landlord to spread the cost over several periods. Add appropriate interest rate as is specified in the lease.
- Tenant Reimbursable Jobs

Construction jobs that are reimbursable by the Tenant follow the same procedures as above, but other requirements apply as well. A signed lease, amendment, etc. must be executed prior to initiating any construction. Tenant should be billed prior to the commencement of construction. The amount can be a 100% billing up front or 50% on start and 50% on completion depending on the relationship with the Tenant and its creditworthiness. See attached flowchart for further details.

---

### SECTION 5.35 LEASING COMMISSIONS

#### OBJECTIVE

- To ensure accurate and timely payment in accordance with the commission agreement for outside brokers and in accordance with the leasing agreement as detailed in the management agreement for the internal leasing agent. Foster good relations with the brokerage community through timely payment of commission.

#### RESPONSIBILITY

- Director of Leasing /Property Manager.

#### REQUIREMENTS

- Approve all commission invoices upon receipt of broker invoice, or execution of lease for internal commissions. Required support documentation is a commission recalculation and a copy of the commission agreement for external brokers. Generate internal commission invoices upon execution of the lease and forwarded to Accounting accompanied by the approved Lease Requisition and calculation support.
  - Facilitate payments through Accounting in the regular payment cycle (not to exceed one week) unless otherwise directed by Leasing. All checks are returned to Director of Leasing for delivery to broker.
  - Maintain internal incentive compensation for the appropriate leasing agent based on commission payments made.
  - Capitalize and amortize commissions over the term of the lease on a straight line basis. If a lease is terminated early, then the unamortized balance should be fully amortized at that time.
-

## **6. CONSTRUCTION MANAGEMENT**

### **SECTION 6.1 BUILDING STANDARDS**

#### **OBJECTIVE**

- To ensure the quality and integrity of the property.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Develop and implement a complete and comprehensive program of Building Standards at all properties. The program must address all materials and procedures where appropriate, to maintain consistent and optimum levels of finish and construction throughout the property. Develop and implement a Standard Building Rules and Regulations for construction at all properties.
- 

### **SECTION 6.2 PROJECT DEVELOPMENT**

#### **OBJECTIVE**

- To ensure the fairest and most cost effective program of project development while maintaining the Owner's requirements of quality, integrity, and asset protection.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Develop and implement a complete and comprehensive program of Project Development at all properties. The program must address the relationship with the Project Architect/Space Planners, Specification Development, Request for Proposal, Bid Evaluation, and Award of Bid.
- 

### **SECTION 6.3 PROJECT APPROVAL**

#### **OBJECTIVE**

- To ensure Owner participation and authorization of any capital funds expended.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Specifically identify each project in the annual approved budget or Business Plan at all properties.
- 

### **SECTION 6.4 PROJECT PROCESS**

#### **OBJECTIVE**

- To ensure that all properties complete construction projects in a timely manner while maintaining appropriate financial, legal, and physical implementation.

## 6. CONSTRUCTION MANAGEMENT

### RESPONSIBILITY

- Property Manager.

### REQUIRMENTS

- Develop and implement a written Project Process Program at all properties. The Program must address the Bid Award and Contract Documentation; Tenant Approval and Change Order Process; Permit and Code Compliance Process; Project Meeting Requirements; Inspection and Punchlist Process; Test and Balance Report Requirements; As-Builts Requirements; Certificates of Occupancy; Job Cost Tracking; Payment Schedules and Authorizations; Lien Waiver Submittals and Requirements.
-

## **7. ANNUAL BUSINESS PLAN**

### **SECTION 7.0 ANNUAL BUSINESS PLAN**

#### **OBJECTIVE**

- The business plan is used to identify strengths, weaknesses, opportunities, and threats in order to strategically position the property to achieve the highest long term returns based on changing market conditions. Also the plan serves as the basis for recasting a new five year forecast by noting trends; for example, a potential occurrence that could impact market rental rates or operating expenses in the next three to five years. Finally, the plan sets the short-term strategy for the next year budget that will fit into the longer-term goals.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Prepare in conjunction with the annual property budget. Timing is one month before the budget is complete in order that the Owner has an opportunity to review market and operating assumptions. The updated market information is used to support the annual budget and the revised five-year valuation model.
-

## **8. GRAPHIC STANDARDS**

### **SECTION 8.1 LOGO GUIDELINES AND CORPORATE COMMUNICATION**

#### **OBJECTIVE**

- To provide national consistency with a unified image.

#### **RESPONSIBILITY**

- Office Manager/Property Manager.

#### **REQUIREMENTS**

- Logo:
    - CBC logo must always be used in concert with CBC McLain Real Estate.
    - Always use approved font and colors.
    - Do not enclose logo in odd shape.
    - Do not expand or condense logo.
    - Do not place logo on an angle.
- 

### **SECTION 8.2 ADMINISTRATIVE AND TENANT COMMUNICATION**

#### **OBJECTIVE**

- To provide consistent/unified communication for each specific property. For use in conjunction with corporate communication pieces.

#### **RESPONSIBILITY**

- Property Manager.

#### **REQUIREMENTS**

- Use the company letterhead and envelopes. Some properties will be specific to the ownership name instead of using the standard CBC McLain Real Estate letterhead.
-