

BOMA's Escalation Demo Is Now On the Net!

When I started writing and talking about 'escalations' and 'gross ups' twelve years ago, my audience was pretty much limited to office building professionals in Houston, Texas. I would get phone calls and questions from property managers, leasing agents, tenant brokers and owners, each one trying to deal with high vacancies resulting from too much office building construction and a busted economy.

Then, two factors changed that broadened the audience: first, BOMA published my 'gross up' manual in 1991, which gave the topic national exposure. Second, the national office market changed due to overbuilding. Suddenly, owners and property managers in every major market in the U.S. had to figure out how to comply with office building lease 'gross up' and escalation provisions. I started receiving inquiries from California, New York, most points in between, plus Canada. By the early 1990's, I was getting many calls each week, with callers asking: "How do I gross-up utilities?" or "Can property taxes be grossed-up?" or "Will you represent us in a lawsuit against/representing the landlord?" One time, each unaware of the other's call, representatives from both sides of a tenant audit in another city called me the same day to see if I would help resolve their dispute. I enjoyed these calls and still do.

Not surprisingly, such disputes still exist today and I still get frequent phone calls. The primary reasons?

1. Many properties' escalation billings are not calculated consistently from year-to-year.
2. Property managers and property accountants frequently do not employ standardized processes, because they haven't yet been hit by a tenant audit.

Consistency and standardization will eliminate most tenant and landlord disputes regarding escalations.

Fortunately, both of these requirements are built into *BOMA's Escalation System for Office Buildings* software, developed in partnership by BOMA and Brownfield & Mayerhofer, Inc. (a company in which I have an interest). In keeping with today's e-commerce model plus a desire to solve an industry-wide problem, BOMA has now made a demo version available on the Internet at its website (go to www.boma.org, then *Publications*)

What's important about the demo? In addition to familiarizing prospective buyers with the software, *the demo allows anyone, for free, to see and understand BOMA's industry-standard processes for calculating escalations and expense gross-ups.*

Think about the consequences of this freebee. If I were (still) a property manager trying to properly do escalation calculations, I could compare my gross-up formats with BOMA's before sending escalation invoices to my tenants. On the other hand, if I were a tenant looking at an escalation invoice from my landlord, I would be delighted to compare that invoice with BOMA's format, so I could decide if I should pay or dispute the cost. What BOMA has done could revolutionize, and yes...*even standardize*, the escalation process for the entire office building industry. And that will be good for tenants, owners, and the industry as a whole by eliminating the cause of many disputes and lawsuits. In short, BOMA is solving a huge industry problem (label it '*Lack of Trust*'), much as it did years ago when it developed its now famous methodology for standardizing how 'rentable square feet', and therefore rent, is calculated for office buildings.

Are there other benefits to the software? Yes...it automatically generates tenant invoices and cover letters, and can store many years of past and future escalation calculations *and* tenant billings. Imagine handing one data disk with 5 years of escalations on it to a tenant's auditor. The thought will give goose bumps to any property manager or accountant who has had to reconstruct every operating expense 'base year' for each of the last 5 years. The software is flexible enough to handle any chart of accounts or lease type (Base Year, Net, CPI, controllable vs. non-controllable expenses, and endless variations dreamt up by leasing agents).

Also, BOMA's software is inexpensive. It is now available for just \$250 per building. And remember...*it's probably escalatable*, because the tenant and landlord both benefit from the expenditure. So, get on-line and check out the demo. If you like it, buy it and make your life a lot easier.

The software won't end all of the problems between landlords and tenants. But it would be nice to get a few phone calls if it helps you overcome some of those problems.