

# Common Lease Terminology

## **Usable Space**

The usable space is the space you occupy. Space needs should be defined in terms of usable square feet.

## **Rentable Space**

The rentable space is the space you occupy plus the proportionate share (percentage of the building you occupy) of common areas such as rest rooms, lobbies and stairways.

## **Tenant Work Letter**

A tenant work letter is a detailed part of the lease defining all improvement work to be completed by the Landlord and specifying what work the tenant will be responsible for, if any. A NTE (Not To Exceed) amount should be in the lease.

## **Turn Key Lease**

A turn key lease simply means that the space being rented or purchased is ready to move into. Simply put, you could describe "turn key" as "a space ready to move into - just 'turn the key' and open the door.

## **Lease Allowance**

Lease allowances are money or items that the land lord makes available to the tenant to use in ways to customize the rental space. Examples: new outlets every 3 years, improvements up to \$50k during the initial lease term.

## **Triple Net Lease**

A triple net lease is a lease that requires the tenant to pay for all taxes, insurance, and maintenance as well as rent on the leased property.

## **Holdover**

Holdover is when the tenant continues to remain in the space after the lease expires, holding over until a new lease is negotiated or the space is vacated. Tenant continues to be responsible for payment of lease expenses as called for in lease agreement.

## **OP or OPL Contract**

A lease purchase order is now an "OPL contract". An OPL contract is for expenses that fall outside of the lease agreement but are necessary expenses in the space that the tenant is responsible for. Example: Paying the landlord for changing lightbulbs, installing a new lock on a server room.

## **STS/AC 340S Value for Lease Transactions**

The Single Transaction Summary (STS) value is the total amount of all costs paid directly to the landlord. In addition to rent, other items may include items such as operating & tax escalations and janitorial services.

For leases negotiated by OGS, OGS will send you a letter which includes a chart. The chart specifies which items are paid directly to the landlord. The letter advises the agency how much the STS should be

made out for. It is important to remember that if monies were paid in holdover on a previous lease, the amount paid should be subtracted from the contract value and the STS.

#### **Intrinsic Value or Full Contract Value for Lease Transactions**

The intrinsic value or full contract value is the total amount of all costs associated with the lease – including those items that are not paid directly to the landlord. For example, if electric is separately metered and paid directly to the electric company then it should not be included in the STS amount. However, it is part of the intrinsic value of the contract.

#### **Pre-Encumbrance / Funds Reservation**

To create a pre encumbrance means to set aside or reserve all, or a portion, of an appropriation for payment of future expenses - such as monthly lease payments. Every year when the budget is passed appropriations are issued to the agencies to encumber against. Appropriations are pre encumbered / reserved to ensure their availability for payment of specified expenses. Pre Encumbered funds are not available for other than the specified purposes. Pre Encumbrance are required through the end of the fiscal year. You will pre encumber / reserve funds every year. Example: in a 10 year lease you will pre encumber / reserve funds once a year for 10 years.