

# LEASE AUDIT REVIEW

THE NEWSLETTER OF THE BDO CORPORATE REAL ESTATE SERVICES PRACTICE



## OFFICE CLEANING: A DIRTY BUSINESS

### Don't be Taken to the Cleaners by Supplemental Janitorial Charges

By David Tevlin and Michael Pappas

Most companies are searching for new and innovative ways to help the bottom line. One area to consider is supplemental cleaning charges. Quite simply, these costs represent additional cleaning services that are over and above that of the standard building cleaning specifications that most full service tenants pay as part of their overall operating expenses. This expenditure can exceed one million dollars annually for a major tenant in a Class A office building. A supplemental cleaning audit, conducted by a qualified cleaning consultant, can reduce these costs by as much as 50 percent. Now, that is something that can really help the bottom line.

#### ► AREAS OF POTENTIAL SAVINGS

##### Workloading

Workloading is a systematic approach to determine the total hours required to clean a facility. Workloading considers, through use of accurate time standards, exactly how many minutes each task in the specification will take to perform. The result is a facility appropriately staffed so that all tasks are completed. Cleaning time standards are established by a number of sources including the Cleaning Management Institute. The cleaning consultant fine tunes task time, as appropriate, based upon field research and time/motion studies.

► Read more on page 3

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# THE RIGHT SIZE REVOLUTION



by Michael A. Cuccolo of  
Tobron Office Furniture

## ► SPACE UTILIZATION MEASUREMENT – THE OLD WAY

It's no secret that corporate real estate executives and facility managers everywhere are constantly under pressure to lower occupancy costs and make more productive use of the workspace they oversee. Organizations do not want to have too little or too much space; they want just the right size.

But therein lies the problem – how do you get an accurate handle on how you're using your space, so you can make a more informed decision about using it better?

Currently, there are various methods of measuring space utilization, one of those methods, a manual "bed check," is a favorite of facility managers. So-called bed checks collect utilization data by requiring someone to walk around with a clipboard and check off which seats are occupied. The count is usually taken three times per eight hours, making it both time consuming and ripe for human error. Those taking the count may be unhappy with their job, may be distracted, or just plain lazy. Even with a productive employee in charge of the bed checks, what goes on in between the checks is still an unknown.

Furthermore, bed checks make no distinction between an employee who might be in the office two days per week and one who might be at his desk three hours a day. In either case, the employee's workspace would show an occupancy rate of about 40 percent. But does the two-days-per-week person really need a dedicated space?

Other techniques include IT log on, security access, parking lot counts, even water usage – none of which provide a complete picture. For instance, badge readers can tell if someone is in the building, but not where and IT log on can tell if someone is on their computer, but not at their desk.

## ► SPACE UTILIZATION – THE FUTURE

Herman Miller, Inc., the leader in office environment innovation, is at the forefront of the space utilization revolution. Herman Miller, Inc. long ago decided the best way of capturing occupancy data is electronically and "at the seat."

Space Utilization Service is a patent-pending system that uses wireless technology to collect highly accurate occupancy data throughout the day.

A technology, a service and a decision-support tool all in one, Space Utilization employs small sensors that attach to chairs and send

a continuous stream of occupancy data, providing an accurate understanding of "which seat is being sat in and when."

Once installed and running, the system requires no human intervention. Its true value lies in the granularity of the data collected. The system can measure occupancy at any level – entire buildings, team areas, conference rooms, touchdown spaces and even individual workstations – whatever the user desires.

## ► HOW THE SPACE UTILIZATION SERVICE WORKS

Herman Miller's Space Utilization Service combines remote sensing technology and proprietary data base software. It employs three types of equipment that work together to track occupancy patterns.

- "Motes" are unobtrusive wireless sensors that temporarily attach to the underside of each chair or work surface included in a study. Smaller than a deck of cards, motes sense the slightest movement, indicating when a chair is occupied.
- Receivers collect a continuous stream of data from the motes. Typically, one for every 35 motes.
- A gateway server collects the data and forwards it to a secure database at Herman Miller. Each study requires one gateway.



► Read more on page 3

▶CONTINUED FROM PAGE 2

## THE RIGHT SIZE REVOLUTION



### ▶ REPORTING RESULTS

After evaluating the data, Herman Miller prepares a report detailing occupancy status from just about every perspective. The 120-page report compiles data revealing the overall occupancy rate, as well as breakdowns by business unit, day of week and space type. In short, clients see exactly what spaces are being used and when.

Herman Miller can also customize the reporting in order to fit any desired study. This ensures the client is getting insights into their

space usage, in order to directly evaluate and address their space-specific needs.

The report goes one step further – not simply presenting the data, but also translating it into an action plan. Drawing on the collective expertise from its dealer community, Herman Miller, the local dealer and the client develop and implement specific plans for reducing occupancy costs and improving productivity.

### ▶ IDEAL SPACE UTILIZATION CANDIDATES

- Organizations planning to move, consolidate or renovate their facilities can benefit by getting a firm grasp on how they use their current space, before making allocation decisions for a new space.
- Organizations planning a merger or acquisition, can identify cost saving strategies for realigning their real estate portfolio without jeopardizing employee productivity.
- Organizations with a high ratio of leased space can make informed decisions on what portion of that space meets their business objectives.

- Organizations that anticipate growth but don't have the flexibility to expand their real estate portfolio can identify strategies for getting more value from the same amount of space.

**If you find you are struggling to find your place in the Right Sized Revolution, then Space Utilization from Herman Miller and its dealers may be just the Sherpa you are looking for.**

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▶CONTINUED FROM PAGE 1

## OFFICE CLEANING

Workloading is the critical first step in establishing a fair value for the services provided. Most cleaning contractors quote prices by the tasks or specifications performed, without providing detailed information regarding time and rate per hour to perform each task.

### Labor and Related Costs

After establishing the time required for each task, it is necessary to determine the unit price for labor and related costs. These factors include wages rates, benefits, taxes, supplies, equipment, overhead and profit; all expressed on a per hour basis. This information is generally obtained from union contracts, statutory requirements and general industry standards.

Once the number of hours and the rate per hour have been calculated, the result is compared to the amount quoted by the

cleaning contractor for each service provided to determine the potential savings.

### Lease Specifications

Generally, the payment of base rent entitles a tenant to and requires the landlord (through its cleaning contractor) to perform certain building services. Among those services is a minimum standard of janitorial service provided to the tenant's demised premises. The level of service is negotiated between the parties and is typically documented as an exhibit to the lease referred to as base building cleaning specifications.

It is not uncommon for a cleaning contractor to attempt to sell a tenant a service which the contractor is already required to provide pursuant to the base building cleaning specifications of the tenant's lease.

### Frequency of Services

It is sometimes difficult for the typical tenant to gauge how often a particular service may be necessary (e.g. marble and

tile maintenance, vacuuming). Frequency of service is affected by the type of cleaning required, area traffic and the level of cleanliness desired to suit each tenants' needs.

The cleaning consultant will research and evaluate the manufacturers' recommended maintenance protocols and observe the tenants' specific usage patterns to provide suggested frequency of service modifications.

Any company incurring in excess of \$50,000 per year for supplemental cleaning services would most likely benefit from a cleaning audit. The combination of time and rate reductions coupled with paying for services just once and only when needed, may generate significant immediate as well as long term savings.

*David Tevlin and Michael Pappas are members of the BDO Corporate Real Estate Services practice.*