

**P. Stevens Associates, Inc. (PSA)**  
**Case Study #14**  
**Audit Uncovers Numerous Owner Errors - Saves Tenant \$2.2 Million**

**Project Outline**

A tenant leased 70,000 square feet of space in a building which contained 500,000 square feet of office space and 500,000 of retail space. The tenant felt that the operating expenses were high and was also concerned about the allocation of certain expenses between the two building components and so engaged PSA to perform a lease audit.

**PSA Added Value**

The audit revealed numerous errors by the owner, but in particular the following were the most egregious. First, subsequent to when the tenant signed its lease the owner added 100,000 of rentable square feet to the office component of the building. However, the owner failed to properly reduce the tenant's pro-rata percentage as a result of the change in the rentable square feet. Second, the owner failed to reduce the building electricity expense by the reimbursements from tenants for tenant electric. Third, the owner failed to allocate any expenses shared by both the office and retail components of the building to the retail component.

**PSA Results**

The owner agreed to re-calculate the operating expenses for 2006 subject to the audit adjustments proposed by PSA. As a result of the audit the tenant received a cash reimbursement of \$310,000. In addition, the changes agreed to by the owner will save the tenant an additional \$1,900,000 over its remaining lease term.

**Total Savings: \$2,210,000**