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## Craven County

Craven County Assessor's Office  
Commercial Property



2016 Income & Expense  
Survey Instructions

**PURPOSE OF GENERAL COMMERCIAL PROPERTY INCOME & EXPENSE SURVEY:** This survey is intended to provide the Craven County Assessor's Office with a means of determining income and expenses associated with specific kinds of improved commercial properties, in order to accurately determine the assessed value of both the real estate and improvements. Instructions detailing how the property owner should fill out this questionnaire are provided in the following document.

Owners of commercial properties in Craven County are mailed printed versions of the General Commercial Property Income & Expense Survey. This survey is designed to help the property owner accurately describe the real estate improvements and determine the net income generated by current lease agreements and expense data.

In addition to the printed form mailed to you, we have provided download links on our website ([www.cravencountync.gov/departments/tax/appraisal.cfm](http://www.cravencountync.gov/departments/tax/appraisal.cfm)) where you can get electronic versions of this same form. ***The form is exactly the same for each format however; the Excel version will perform any necessary calculations after the required information has been entered and is the easiest to fill out.*** The different file formats include **Microsoft Word 2010 (.docx)**, **Microsoft Excel 2010-2013 (.xlsx)**, and **Portable Document Format (.pdf)**. The Excel spreadsheet and Word document can be emailed back to the Craven County Tax Office. If the property owner does not have access to either Microsoft Excel or Word (or a compatible program), fill out the enclosed paper form or print out the **.pdf** version and fill in the information according to the instructions provided. If you have any questions regarding the commercial property questionnaire, please call 252-636-6640 and ask for the commercial appraiser who will be glad to assist you in completing and submitting the form.

### **INSTRUCTIONS FOR RETURNING THE COMPLETED SURVEY USING SECURE EMAIL:**

In addition to the printed survey mailed to you, we have provided electronic versions of this same document which are easier to fill out and return to the Craven County Tax Office. Once completed, the electronic version of the survey can be sent directly to the commercial appraiser by way of secured and encrypted email. Due to the sensitive information contained in the survey, if you wish to return it to our office by email, first send a request to the following address, [2016Revaluation@cravencountync.gov](mailto:2016Revaluation@cravencountync.gov). After receiving your email request, our office will reply with an

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email generated by our secure server. Once you receive our reply email, use the “reply” function in your email program to generate the return email to the tax office. Attach the completed Microsoft Excel 2010-2013 **(.xlsx)** compatible spreadsheet or the Microsoft Word 2010-2013 **(.docx)** compatible document to this email and send. We will send you an email confirming our receipt of your completed form.

**INSTRUCTIONS FOR FILLING OUT GENERAL COMMERCIAL PROPERTY INCOME & EXPENSE SURVEY:**

Each section of the form is shown, with the circled numbers representing the field, or series of related fields, with their corresponding explanations.

Enter data in the yellow shaded cells only. If there is a checkbox in the cell, click it once to mark it with an “X”. Click it again to remove the “X” if another choice is needed.

There is a glossary located on page fourteen (14) which offers definitions of specific terms shown in this form.

# CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

Page One: PROPERTY INFORMATION SECTION - fields ① through ⑯

PROPERTY INFORMATION			
Please fill out form completely. If you have any questions, refer to the directions located on the county website or call and ask for the Craven County Commercial Appraiser for instructions.			
PARCEL INFORMATION NUMBER:	① 1-111-001	CONTACT PHONE #:	② 252 -555-5555
OWNER NAME:	③ John Q. Public	CONTACT E-MAIL:	④ taxpayer@mail.com
GENERAL PROPERTY INFORMATION			
Accounting period for last twelve (12) months:	FROM: ⑤ JANUARY 1, 2014	TO: ⑥ DECEMBER 31, 2015	
Project Name:	⑦ The John Q. Office Building		
Property Address :	⑧ 1001 Elm St. New Bern NC, 27560		
Project type: (Office, Retail, Warehouse, Flex, and/or Condominium)	⑨ Office / Retail		
Has there been an appraisal done on this property in the last 3 -years? If yes, please indicate date of appraisal and value estimate. ⑩	YES <input checked="" type="checkbox"/>	Date of Appraisal	Value Est.
	NO <input type="checkbox"/>	⑪ 1/1/2013	⑫ \$800,000
Is building for a single or multiple tenants? ⑬	SINGLE-TENANT <input type="checkbox"/>		MULTI-TENANT <input checked="" type="checkbox"/>
Is the building 100% owner occupied? ⑭	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>	Owner Occupied Space ⑮ 1,200
If property has a single tenant, specify type of lease present (Choose one): ⑯	Full Service	Modified Net	NNN
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Other (Specify Below) <input type="checkbox"/>		

- ① - Enter the subject Parcel Information Number (PIN) This number follows the format (#-###-#-###) or (8-111-1-111). This number is listed on the front sheet of your cover letter.
- ② - Enter the phone number to contact the property owner or manager.
- ③ - Enter the property owner's name.
- ④ - Enter your email address.
- ⑤ - In order to accurately determine current income and expenses for your property, we request that you submit at least twelve months of data in this questionnaire. Enter the corresponding beginning date of the twelve month period of the information you are providing.
- ⑥ - Enter the corresponding ending date of the twelve month period of the information you are providing.
- ⑦ - Enter the name of the property or project (if applicable) such as "The John Q. Office Building"
- ⑧ - Enter the Physical address of the property or project. If individual tenants have separate addresses, please enter those in the address space shown on the "TENANT LEASE INFORMATION" section beginning at the bottom of page five (5).
- ⑨ - Indicate the property type of the subject. (Office, Retail, Warehouse, Flex, and/or Condominium, or a combination of any of these)
- ⑩ - Check either "YES" or "NO" if an appraisal has been performed on the property within the last three (3) years. If yes, please enter the date of the appraisal and the value given.
- ⑪ - Enter the effective date of the appraisal. (I.e. the date of the appraised value, not the date the report was made.)
- ⑫ - Enter the estimated value of the subject property shown in the appraisal.
- ⑬ - Indicate whether the property is either SINGLE-TENANT or MULTI-TENANT by checking applicable box.

## CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

⑭ - If all of the leasable space in the building is 100% owner occupied check YES. If any other areas are leased to a tenant other than the building owner, check NO.

⑮ - If the property is 100% owner occupied enter the total building size in this cell. If the building is owner occupied but utilizes less than 100% of the leasable space, indicate the total amount of owner occupied square footage instead.

⑯ - If the property has a **single tenant**, indicate what type of lease agreement is in effect as it pertains to the leasable areas. If the property has multiple tenants, please indicate the type of lease(s) that are in place on the “**TENANT LEASE INFORMATION**” section beginning on **page five (5)** of the questionnaire. In the Definitions of different lease types are contained in the **GLOSSARY** of this guide on page fourteen (14). In the example illustration on the preceding page, no lease type is checked since the property is multi-tenant.

**Page One: PROPERTY INFORMATION SECTION Continued - fields ⑰ through ⑳**

PROPERTY INFORMATION				
Type of Space	Leased Square Footage (Includes Owner Occupied Space) ⑰	Vacant (Leasable) Square Footage ⑱	Equals Total Leasable Square Footage By Type ⑲	Total Non-Leasable Square Footage By Type ⑳
OFFICE	2,000	1,000	3,000	500
RETAIL	6,000	2,400	8,400	800
WAREHOUSE				
CONDOMINIUM				
BASEMENT				
MEZZANINE-FINISHED				
MEZZANINE-STORAGE				
SHELL SPACE*				
OTHER (IDENTIFY)				
<b>⑳ TOTALS:</b>	<b>8,000</b>	<b>3,400</b>	<b>11,400</b>	<b>1,300</b>

PROPERTY DESCRIPTION:	⑳ Building Office space portion consists of five (5) 600 s.f. leasable units. The downstairs Retail portion consists of seven (7) 1,200 s.f. leasable units. Non-leasable portion is for entrance foyer and stairwells.
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⑰ - Enter the currently leased square footage for each type of space shown in the column to the left (if applicable) in the development. Be sure to include any that is owner occupied.

⑱ - Enter the currently vacant (but leasable) square footage for each type of space shown in the column to the far left of the table.

⑲ - Enter the total amount of leasable office space in the building(s) by adding the two columns to the left (Leased Square Footage & Vacant Leasable Square Footage). Repeat this for each different type of space within the building or property if necessary.

⑳ - Enter the total amount of non-leasable square footage associated with the property. This typically includes areas such as stairwells, elevators, foyers, common areas, etc. Repeat this for each different type of space within the property or development if necessary.

# CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

① - Add the square footage amounts for each type of space in all four columns and enter in the "TOTALS" field at the bottom of the table. A graphic illustration showing how to add the cells together is presented on the following page.

② - Enter a description of the property which includes the total number of rental units and their individual sizes if applicable.

### DEMONSTRATION OF HOW TO ADD COLUMNS IN PROPERTY INFORMATION GRID

PROPERTY INFORMATION						
	Leased Square Footage	+	Vacant (Leasable) Square Footage	=	Total Leasable Square Footage By Type	Total Non-Leasable Sq.Ft. By Type
OFFICE	2,000	+ →	1,000	=	3,000	500
	+ ↓		+ ↓		+ ↓	+ ↓
RETAIL	6,000	+ →	2,400	=	8,400	800
	+ ↓		+ ↓		+ ↓	+ ↓
WAREHOUSE	0	+ →	0	=	0	0
	+ ↓		+ ↓		+ ↓	+ ↓
CONDOMINIUM	0	+ →	0	=	0	0
	+ ↓		+ ↓		+ ↓	+ ↓
BASEMENT	0	+ →	0	=	0	0
	+ ↓		+ ↓		+ ↓	+ ↓
MEZZANINE - FINISHED	0	+ →	0	=	0	0
	+ ↓		+ ↓		+ ↓	+ ↓
MEZZANINE - STORAGE	0	+ →	0	=	0	0
	+ ↓		+ ↓		+ ↓	+ ↓
SHELL SPACE	0	+ →	0	=	0	0
	+ ↓		+ ↓		+ ↓	+ ↓
OTHER	0	+ →	0	=	0	0
	+ ↓		+ ↓		+ ↓	+ ↓
	=		=		=	=
<b>TOTALS:</b>	<b>8,000</b>	<b>+ →</b>	<b>3,400</b>	<b>=</b>	<b>11,400</b>	<b>1,300</b>

**Page Two: PROPERTY INFORMATION SECTION - fields ① through ⑤**

PROPERTY INFORMATION CONTINUED					
LIST OF CAPITAL IMPROVEMENTS MADE TO THE PROPERTY WITHIN THE LAST FIVE YEARS					
	Enter Description of Capital Improvements Below	Year Made	Owner Made	Tenant Made	Actual Cost
1.	① Installed six sinks for hair salon leasing retail unit #2	② 2012	③ No	④ Yes	⑤ \$25,000
2.	Replaced old exterior front windows with energy efficient units	2013	Yes	No	\$12,500
3.	Added awnings to exterior front windows of first floor retail section	2013	Yes	No	\$9,000
4.					
5.					

① - Enter description of any capital improvements. Refer to the chart presented in the GLOSSARY section of this guide on page thirteen (13) to help identify capital improvements vs. repairs.

## CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

- ② - Enter the year the capital improvements were made to the property.
- ③ and ④ - Indicate whether capital improvement was made by the property owner or tenant. (The Excel version will only let you choose between “Yes” or “No”. For the Word and PDF versions, you must type in either “Yes” or “No” in the appropriate cell like in the above example.
- ⑤ - Enter the actual total cost of the capital improvement(s) in the Actual Cost cell.

**Page Two: PROPERTY INCOME INFORMATION SECTION -fields ⑥ through ⑧**

PROPERTY INCOME INFORMATION			
<b>POTENTIAL GROSS INCOME (PGI)</b> - The income that would be realized if the property is fully occupied and all rents are collected.			
Office PGI		\$ 51,000	← ⑥
Retail PGI		\$ 168,000	
Warehouse PGI		\$ 0	
Parking Income		\$ 0	
Retail overage / percentage rent		\$ 0	
Telecommunications Income from monopoly / tower		\$ 0	
Other / Miscellaneous	(Identify)	\$ 0	
Other	(Identify) ⑦	\$ 0	
Other	(Identify)	\$ 0	
<b>TOTAL POTENTIAL GROSS INCOME</b>			<b>\$ 219,000 ⑧</b>

- ⑥ - If the property is **100% owner occupied**, enter **-\$0-** in each category. If the subject property **IS NOT 100% owner occupied**, enter the Potential Gross Income estimates for the different type(s) of leasable space in the building. Potential Gross Income (PGI) is calculated by adding the annual potential rental income of each space type, (full monthly rent(s) with no deductions for vacancy, credit loss, or rent concessions multiplied by twelve months).
- ⑦ - Identify and describe any other income attributed to the real estate or improvements here. Enter their corresponding PGI in the cell to the right. You can erase and overwrite “(Identify)” in the cell if more space is needed.
- ⑧ - Add all Potential Gross Income (PGI) estimates for each leased space type in the column, to calculate the **“TOTAL POTENTIAL GROSS INCOME”** for the property in the bottom far right cell.

**Page Two: PROPERTY INCOME INFORMATION fields ⑨ through ⑪**

Oftentimes reimbursement rates are added directly to the per square foot lease rate. For example, a retail property might be leased at a **base rate** of **\$12.00** per square foot. In addition to the base rate, a provision in the lease might add an additional **\$2.00** per square foot for a Common Area Maintenance reimbursement. An additional reimbursement for Real Estate Taxes of **\$1.25** per square foot might be added as well. This would bring the actual lease rate to **\$15.25** per square foot after all the reimbursements are added together. In the **REIMBURSEMENTS / RECOVERIES** section,

## CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

enter the individual reimbursement totals collected from the tenants if the leases are structured with fixed reimbursement amounts. **If the lease is structured differently, and does not include these fixed reimbursement amounts, then enter the individual expense category totals on pages three (3) and four (4) of the questionnaire under the heading ANNUAL OPERATING EXPENSES. See page seven (7) of this document for instructions on how to fill out this section.**

REIMBURSEMENTS / RECOVERIES			
	Common Area Maintenance Reimbursement	\$ 14,250	← ⑨
	Real Estate Tax Reimbursement	\$ 10,600	
	Insurance Reimbursement	\$ 15,000	
	Operating Expense Reimbursement	\$ 12,500	
Other	(Identify) ⑩	\$ 0	
Other	(Identify)	\$ 0	
Other	(Identify)	\$ 0	
<b>TOTAL REIMBURSEMENT / RECOVERIES</b>			<b>\$ 52,350 ⑪</b>

⑨ - Enter the individual REIMBURSEMENT / RECOVERY amount for each applicable category. These are annualized totals (which are calculated by adding the monthly amounts, if applicable and multiplying by 12).

⑩ - Identify and describe any additional Reimbursements or Recoveries categories. Enter amounts in the column to the right. Overwrite “(Identify)” if more space is needed in the cell.

⑪ - Add together the annual REIMBURSEMENTS / RECOVERIES totals from each separate category to calculate the “**TOTAL REIMBURSEMENT / RECOVERIES**” for the subject property in the bottom far right cell.

### Page Two: PROPERTY INCOME INFORMATION fields ⑫ through ⑮

VACANCY / REVENUE LOSSES FOR REPORTING PERIOD			
	Income Loss from Vacancy	\$ 21,900	← ⑫
	Bad Debts	\$ 2,190	
	Rent Concessions	\$ 5,475	
Other	(Identify) ⑬	\$ 0	
Other	(Identify)	\$ 0	
<b>TOTAL VACANCY / REVENUE LOSSES</b>			<b>\$ 29,565 ⑭</b>

\*If any non-property related fees are charged in any revenue or expense category (such as corporate allocations, etc.) please identify the amounts and categories.

COMMENTS: ⑮ Vacancy loss @10% of GPI. Bad debts @ 1% of GPI. Rent concessions @2.5% of GPI.

⑫ - Enter the individual amounts for each applicable category in the “**VACANCY / REVENUE LOSSES FOR REPORTING PERIOD**”. These are yearly totals which can be calculated by adding each monthly amount and multiplying by twelve.

## CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

For example, if (as is shown in the previous “PROPERTY INCOME INFORMATION” section that...) Potential Gross Income (PGI) for office space is \$51,000 per year and retail space PGI is \$168,000, then the **TOTAL POTENTIAL GROSS INCOME** of the property is \$219,000. If several rental units are vacant for a few months and this equals 10% of Total Potential Gross Income, then you would enter \$21,900 in the cell to the right of “**Income Loss from Vacancy**”. If you had to write off 1% of Total Potential Gross Income due to bad debts, then you would enter \$2,190 in the cell to the right of “**Bad Debts**”. If you had to grant any rent concessions, like not charging a new tenant for the first months’ rent, (in the above example it is 2.5% of GPI), then you would enter \$5,475 in the cell to the right of “**Rent Concessions**”. Repeat this step for any additional categories.

- ⑬ - Identify any additional **VACANCY / REVENUE LOSSES** categories if necessary. Enter the amounts in the column to the right of the description you give.
- ⑭ - Add together the vacancy and revenue loss category totals to calculate the “**TOTAL VACANCY / REVENUE LOSSES**” for the subject property.
- ⑮ - Enter any additional comments or explanations regarding any reimbursements and or vacancy / revenue losses.

### Pages three and four: ANNUAL OPERATING EXPENSES section instructions

The diagram illustrates the structure of the Annual Operating Expenses table. A red box labeled 'Main Operating Expense Categories' points to the 'UTILITIES' row. A green box labeled 'Individual Expense Items' points to the 'Electricity', 'Water and Sewer', and 'Telecommunications' rows. A blue box labeled 'Subcategory Totals' points to the 'Other (Explain)' row and the 'TOTAL MARKETING EXPENSES' row.

ANNUAL OPERATING EXPENSES			
UTILITIES		Actual Cost to Owner	Recovered From Tenants
Electricity		\$ 3,900	\$ 74,100
Water and Sewer		\$ 1,000	\$ 11,000
Telecommunications		\$ 0	\$ 800
Other	Propane	\$ 0	\$ 2,200
Other	(Explain)	\$ 0	\$ 0
<b>TOTAL MARKETING EXPENSES</b>		<b>\$ 4,900</b>	<b>\$ 88,100</b>

Annual Operating Expenses are divided into different **main operating expense categories**. The main expense categories are further subdivided into **Individual expense items** which are related to the main expense category. In order to accurately determine the total expenses for the property, each expense item is calculated by determining how much of the cost is paid by either the property owner or the tenant.

# CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

The first column titled “**Actual Cost to Owner**” (colored light green in the following picture) is for any expenses that are not covered by the lease or completely reimbursed by the tenants. These are the actual expenses that the property owner will have to pay out of pocket. The second column titled “**Recovered From Tenants**” (colored light orange in the following picture) is for any portion of the associated expense category which the tenant pays to the landlord. These amounts should be entered as annual totals.

**CALCULATING INDIVIDUAL EXPENSE ITEMS**

Electricity Cost of \$6,500 per month X 12 months = \$78,000

Actual Cost to Owner .05 x \$78,000 = <b>\$3,900</b>	Recovered From Tenants .95 x \$78,000 = <b>\$74,100</b>
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ANNUAL OPERATING EXPENSES			
UTILITIES		Actual Cost to Owner	Recovered From Tenants
	Electricity	\$ 3,900	\$ 74,100
	Water and Sewer	\$ 1,000	\$ 11,000
	Telecommunications	\$ 0	\$ 800
	Other Propane	\$ 0	\$ 2,200
	Other (Explain)	\$ 0	\$ 0
<b>TOTAL MARKETING EXPENSES</b>		<b>\$ 4,900</b>	<b>\$ 88,100</b>

**Subcategory Total of Individual Expense Items**

For the above example, if the property has a monthly electric bill of \$6,500 per month or \$78,000 annually, and the tenants reimburse the property owner for 95% (or **\$74,100**) of that total, then the amount entered under the “**Actual Cost to Owner**” column is **\$3,900** (or 5% of \$78,000), and the remaining 95% (or \$74,100) is entered in the “**Recovered From Tenants**” column. Enter the amounts for each individual expense item of the main operating expense category in the same manner. Follow the above example when entering the annual operating expenses for each category on pages three (3) and four (4) of the questionnaire.

When all individual expense items have been entered, total each column in the **Subcategory Totals** cells (colored dark green and dark orange in the above picture). Repeat this step for each Subcategory Total.

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## Page four: TOTAL OPERATING EXPENSES section instructions

On the bottom of page four (4) of the questionnaire, add all eight of the subcategory expense totals (Utility, Janitorial, Property Operations & Maintenance, Services, Administrative, Management, Marketing, and Miscellaneous Expenses), for both the “**Actual Cost to Owner**” and the “**Recovered From Tenants**” cells. Enter the expense category totals in the “**TOTAL OPERATING EXPENSES**” cells at the bottom of each column. (*The Microsoft Excel spreadsheet version of this form will automatically perform these calculations*).

### DEMONSTRATION OF HOW TO ADD EXPENSE COLUMNS TO CALCULATE TOTAL OPERATING EXPENSES

ANNUAL OPERATING EXPENSES		
	Actual Cost to Owner	Recovered From Tenants
TOTAL UTILITY EXPENSES	\$ 4,900.00	\$ 88,100.00
	+ ↓	+ ↓
TOTAL JANITORIAL EXPENSES	\$ 400.00	\$ 27,360.00
	+ ↓	+ ↓
TOTAL PROPERTY OPERATIONS & MAINTENANCE	\$ 13,200.00	\$ 30,340.00
	+ ↓	+ ↓
TOTAL SERVICES EXPENSES	\$ -	\$ 8,300.00
	+ ↓	+ ↓
TOTAL ADMINISTRATIVE EXPENSES	\$ 22,500.00	\$ 4,030.00
	+ ↓	+ ↓
TOTAL MANAGEMENT EXPENSES	\$ -	\$ 37,000.00
	+ ↓	+ ↓
TOTAL MARKETING EXPENSES	\$ 3,500.00	\$ 3,500.00
	+ ↓	+ ↓
TOTAL MISCELLANEOUS EXPENSES	\$ -	\$ -
	= ↓	= ↓
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 44,500.00</b>	<b>\$ 198,630.00</b>

## Page Five – TAXES, INSURANCE AND RESERVES FOR REPLACEMENT - fields ① through ⑤

Annual **TAXES, INSURANCE AND RESERVES FOR REPLACEMENT** are considered fixed expenses, and are separated from the other variable expenses shown in the previous section. The main fixed expense categories are further subdivided into **Individual expense items**. In order to accurately determine the total expenses for the property, each expense item is calculated by determining how much of the cost is paid by either the property owner or the tenant.

## CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

The column titled “**Actual Cost to Owner**” (colored light green on the following image) is for any expenses that are not included in the lease or completely reimbursed by the tenants. These are the actual expenses that the property owner will have to pay out of pocket. The second column titled “**Recovered From Tenants**” (colored light orange on the following image) is for any portion of the associated expense category which the tenant pays to the landlord.

TAXES, INSURANCE AND RESERVES FOR REPLACEMENT			
PROPERTY TAXES		Actual Cost to Owner	Recovered From Tenants
	Real Estate Taxes	\$ 600	\$ 9,800
<b>OTHER TAXES</b>			
	Tangible Business Property Tax	\$ 3,800	\$ 0
	Business License Tax	\$ 800	\$ 0
<b>INSURANCE EXPENSE</b>			
	Building Insurance	\$ 0	\$ 7,500
	Content Insurance	\$ 0	\$ 1,000
Other	(Identify) ④	\$ 0	\$ 0
Other	(Identify)	\$ 0	\$ 0
<b>TOTAL TAX &amp; INSURANCE EXPENSES</b>		\$ 5,200	\$ 18,300

① - Enter the yearly property taxes received from tenants in the far right cell under “**Recovered From Tenants**”, and the amount paid by the property owner under “**Actual Cost to Owner**”.

② - Enter any Business Property or Business License taxes related to managing the subject property and received from tenants in the far right cell under “**Recovered From Tenants**”. Enter the amount paid by the property owner under “**Actual Cost to Owner**”.

Enter any Business Property or Business License taxes related to managing the subject property.

③ - If the tenants reimbursed the owner for Building or Content Insurance expenses, enter the amount in the far right cell under “**Recovered From Tenants**”. Enter the amount of insurance paid by the property owner under “**Actual Cost to Owner**”.

④ - Identify any additional insurance expenses that were reimbursed by the tenants and enter this amount in the far right cell under “**Recovered From Tenants**”. Enter the amount paid by the property owner under “**Actual Cost to Owner**”.

⑤ - Add the cell totals in the “**Actual Cost to Owner**” column (colored light green in the above image) for all taxes and insurance paid by the owner. Enter the total in the “**TOTAL TAX & INSURANCE EXPENSES**” cell (colored dark green in the above image). Add the cell totals in the “**Recovered From Tenants**” column (colored light orange) for all taxes and insurance that were paid by the tenant. Enter the total in the “**TOTAL TAX & INSURANCE**” cell (colored dark orange).

## CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

### Page Five – TAXES, INSURANCE AND RESERVES FOR REPLACEMENT - fields ⑥ through ⑧

Property owners often set aside a portion of their income to defray large expenditures for when high cost items such as roofing systems and environmental air handling equipment needs replacement. This money is typically set aside in what is referred to as a sinking-fund, until either enough funds are accumulated and/or the item in question needs to be totally replaced. In the example shown below, the property owner has set aside a portion of the yearly income to cover anticipated expenses for a new roof, H.V.A.C systems, and parking lot repaving. No portion of the tenant rent is allocated directly to these reserves for replacement.

RESERVES FOR REPLACEMENT			
	Roof Cover	\$ 4,500	\$ 0
	H.V.A.C	\$ 4,500	\$ 0
	Parking	\$ 1,500	\$ 0
	Hazardous Materials Abatement	\$ 0	\$ 0
	Other (Identify) ⑦	\$ 0	\$ 0
	Other (Identify)	\$ 0	\$ 0
	Other (Identify)	\$ 0	\$ 0
<b>TOTAL RESERVES FOR REPLACEMENT EXPENSE</b>		<b>\$ 10,500</b>	<b>\$ 0</b>

⑥ - If any portion of the tenants' rent goes to these "Reserves for Replacement" categories, then enter that amount in the appropriate cell (colored light orange in the above image) in the "Recovered From Tenants" column. Any amount that is paid directly by the property owner should be entered in the corresponding cell under the "Actual Cost to Owner" column (colored light green in the above image).

⑦ - Add any additional "Reserves For Replacement" categories here, and enter their corresponding amounts in the appropriate column(s) to the right.

⑧ - Add each column ("Actual Cost to Owner" shown as light green, and "Recovered From Tenants" shown as light orange in the above graphic). Enter the column totals in "TOTAL ESTIMATED RESERVES FOR REPLACEMENT" cells (shown as dark green and dark orange in the above image).

### Page Five – TAXES, INSURANCE AND RESERVES FOR REPLACEMENT - field ⑨

TOTAL TAXES, INSURANCE & RESERVES	\$ 15,700	←⑨→	\$ 18,300
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⑨ - Add together the "TOTAL TAX & INSURANCE EXPENSES" and "TOTAL RESERVES FOR REPLACEMENT EXPENSE" for both columns to calculate the "TOTAL TAXES, INSURANCE & RESERVES".

# CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

## Page Five – TAXES, INSURANCE AND RESERVES FOR REPLACEMENT - fields ⑩ and ⑪

COMMENTS SECTION	
<b>How are reserves for replacement calculated? (Reserves for replacement includes items such as; fixtures, furniture, equipment, HVAC systems, roof replacement, asphalt parking, exterior styling elements, etc..)</b>	
⑩	
<b>OTHER COMMENTS: ⑪</b>	

- ⑩ - Enter a description of how yearly replacement reserves are estimated. Methods include
- ⑪ - Enter any other comments regarding Taxes, Insurance, & Reserves For Replacement.

## Page Six – TENANT LEASE INFORMATION

		Tenant No. 1				
Tenant Name						Enter name of individual tenants here.
Address, Suite Number or Unit Number						Enter unit address or unit number.
Type of Space Leased, i.e., Office, Warehouse, Retail, etc. & % of each type.						Enter general description of type of leased space.
Square Footage Leased						Enter the amount of unit space being leased
		<u>Sq.Ft.</u>				
Lease Term Begin Date	Lease Term Ending Date	Begin Date	End Date			Enter the beginning and ending dates of the lease term.
		Full Svc.	Mod. Net	NNN	Other	Check the box corresponding to the type of lease in place.
Lease Terms (Check One)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
If other lease type, please detail						If "Other" checked above, describe the type of lease.
Base Rent Per Square Foot						What is the base rent per sq.ft. being charged (does not include CAM or other types of fees)(Monthly rent x 12/sq.ft.)
Renewal Options						Example - Five 3yr. renewal options
Rent Increases (CPI etc.)						Enter the rate of rent increase Ex. Consumer price index.
Overage /Participation Rent Basis for Overage/Participation						Give and annual amount of overage rent paid and describe the basis for the overage calculation.
Common Area Maintenance Charges						Enter any CAM fees attached to the base rent.
Real Estate Tax Pass-through						Enter amount if tenant pays real estate property taxes.
Insurance Pass-through						Enter amount if tenant pays for insurance.
Miscellaneous Charges (Identify)						Enter amount of any other charges passed to the tenant.
Total Receipts						If overage rent is calculated off of gross sales, enter amt.

# CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

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## GLOSSARY –

**BASE RENT** - The term "Base Rent" refers to the minimum rent due under the terms of a lease that also requires the tenant to pay additional rent based on a percentage or participation requirement.

**CAPITAL IMPROVEMENTS** - The addition of a permanent structural **improvement** or the restoration of some aspect of a property that will either enhance the property's overall value or increases its useful life.

**CAPITAL IMPROVEMENTS VS. REPAIRS** – The chart below shows the difference between what is considered to be a capital improvement and what should be considered a repair.

Capital Improvement	Repair
Improvements that "put" property in a better operating condition	Improvements that "keep" property in efficient operating condition
Restores the property to a "like new" condition	Restores the property to its previous condition
Addition of new or replacement components or material sub-components to property	Protects the underlying property through routine maintenance
Addition of upgrades or modifications to property	Incidental Repair to property
Enhances the value of the property in the nature of a betterment	
Extends the useful life of the property	
Improves the efficiency of the property	
Improves the quality of the property	
Increases the strength of the property	
Increases the capacity of the property	
Ameliorates a material condition or defect	
Adapts the property to a new use	
Plan of Rehabilitation Doctrine	

**LEASE TERM** - A lease term is the specific period of time in which the Landlord grants to the tenant the right to possession of real estate.

## LEASE TYPES -

A **Net Lease** is a type of commercial real estate lease in which the lessee (tenant) pays for their space, as well as for part or all of certain "Usual Costs" (expenses associated with operating, maintenance and use of the property) that the landlord pays. Expenses incorporated into net

## CRAVEN COUNTY COMMERCIAL PROPERTY INCOME AND EXPENSE SURVEY 2016 ASSESSMENT VALUATION

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leases may include taxes, utilities, janitorial services, property insurance, property management fees, sewer, water, and trash collection. Net leases are usually favorable to the lessor (landlord) and often include caps, or, the maximum amount a landlord can increase fees each year. Usual Costs that are added into net leases are generally broken down into three categories of expenses: maintenance, insurance, and taxes. A Double Net Lease requires the lessee to pay all taxes and insurance; and a Triple Net Lease requires the lessee to pay all three types of "Usual Costs."

The **Triple Net Lease** is used extensively in commercial real estate for multi-tenant industrial and retail properties. In a triple net lease, the tenants pay for their space, and all costs or expenses associated with operating, maintenance and use of the property that the landlord pays. This can also include sharing the cost of roof replacement. Usually, fixed rent is lower with the triple net lease, and if the building is a newer one, tenants often times find triple net to be preferable to other choices due to lower rent and expenses in the first few years.

In a **Full Service Lease** or **Gross Lease** in commercial real estate, the landlord pays for: Taxes, Insurance, and Maintenance. The landlord collects fixed rents and pays the expenses out of them. As costs increase over time, many gross and full service leases will contain escalation clauses that increase rents over time to offset tax increases and higher insurance and maintenance costs.

The **Modified Net Lease** is a compromise between the Full Service and the Triple Net lease. It allows a compromise situation that shares the costs of building operation and maintenance, and the flexibility of this lease type makes for an easier agreement between tenant and landlord. The terms of a modified net lease often vary depending on building and tenant business types. With a Modified Net Lease, the landlord and tenant usually set up a split of maintenance expenses while the tenant agrees to pay taxes and insurance. Utilities are also likely to be negotiated in this type of lease.