



Bulletin

May 2002

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BOMA San Francisco advances the commercial real estate industry through advocacy, professional development, and information exchange

PRESIDENT'S MESSAGE

BOMA: YOUR LOCAL, STATE AND NATIONAL ADVOCATE

BY KEN PERRY, THE SWIG COMPANY

On the Inside

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BOMA members are most familiar with the benefits and services provided to them by their local association. The luncheons, brown bag sessions, special seminars, and social events are opportunities to network with professional colleagues and expand your knowledge. Political advocacy and participation with various other interested parties in committee work, on issues affecting the regulations governing our industry, is a strength of BOMA locally. Our influence in citywide discussions on a number of issues has grown as a result.

However, when assessing the value of a BOMA membership, we should not overlook the portion of your dues that funds the activities of state BOMA's and BOMA International. The efforts of each of these organizations are vital to our industry.

BOMA California, a federation of the nine, local associations in the state, focuses solely on the legislative and regulatory issues emanating from Sacramento that impact the business conditions of our members. BOMA is an active voice in debates and discussions on such issues as energy, forced access, AED liability, and split role taxation. At the state level, BOMA participates in the initial discussion and consideration of many issues, when the opportunity to influence decisions is greatest. Our local staff and many members work closely with the paid BOMA lobbyist in Sacramento.

BOMA International is a full-service trade association that advocates on behalf of our industry in Washington, D.C. and provides a wide array of educational programming

for commercial property practitioners. It is the only national real estate organization with a consistent and pro-active presence in the various code making bodies protecting your interests. BOMA International is also very active in the standard setting process and in bench-marking best practices like the Experience and Exchange Report (EER), the annual income and operating expense reference guide for properties throughout

North America. BOMA International contributes directly and meaningfully to the debate surrounding national issues such as depreciation schedules for tenant improvements, forced access, insurance, and energy deregulation.

BOMA's participation and activities provides many benefits for members, and for the buildings and companies they represent. The BOMA International 95th Annual



Convention and The Office Building Show represents the hub where local, state and international BOMA comes together, with over a dozen educational sessions and a major product and service exhibition. It's an opportunity to share ideas with and learn from your peers from all over the world.

I hope you'll attend the Annual Convention in Chicago in June. Take advantage of this chance to network with peers from across the country, and to deepen your understanding of some of the issues that will confront us all in the coming months. The Office Building Show provides a glimpse of the very latest goods and services that can help improve performance, and even lead to competitive advantages.

All in all, you can't lose. See you there!

UPCOMING EVENTS

MAY 2002

Sun	Mon	Tue	Wed	Thur	Fri	Sat
			1 <i>Tech & Comm Meeting</i>	2	3	4
				Budgeting & Accounting		
5 Budgeting & Accounting	6 <i>Energy Committee Meeting</i>	7 <i>GAPAC Meeting Program Committee</i>	8	9	10 <i>FMA Shortcourse</i>	11
12	13 Silverado Golf & Tennis Classic	14 <i>CORY Subcommittee Meeting</i>	15 <i>Security Seminar</i>	16 <i>2003 CORY's Bldg. Tour</i>	17	18
19	20	21 <i>Member Benefit Reveiw</i>	22 <i>Brownbag Lecture: Wireless Communications</i>	23 <i>Building Codes TF Meeting</i>	24	25
26	27 <i>Memorial Day Holiday</i>	28 <i>BOMA - SF - PAC Meeting</i>	29	30	31	
				Design Op's & Maint. Course		
				<i>Membership Luncheon</i>		

JUNE 2002

Sun	Mon	Tue	Wed	Thur	Fri	Sat
						1 Design Op's & Maint. Course
2	3 <i>Energy Committee Meeting</i>	4	5 <i>Tech & Commun. TF Meeting</i>	6	7	8
				Energy Mgt. & Controls Class		
9	10	11 <i>GAPAC Meeting</i>	12 <i>Board Meeting</i>	13 <i>CORY Subcommittee Meeting</i>	14	15
				Environ. Health & Safety Class		
16 Environ. Health & Safty Class	17	18	19	20	21	22
23	24	25	26	27	28	29
	BOMA Convention Chicago			<i>Building Codes TF Meeting</i>	<i>Membership Luncheon</i>	
30						

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City Sponsors Cash Awards for Excellence in Recycling

CORY Awards to distribute cash prizes

By Mark Rumpler, 2002 CORY Awards Chair

BOMA San Francisco is proud to announce the third annual Commercial Recycler of the Year (CORY) Awards. Produced by the BOMA San Francisco's Solid Waste and Recycling Task Force and sponsored by the San Francisco Department of the Environment, the CORY's will be awarded at the BOMA Luncheon on November 20, 2002 at the Bill Graham Civic Auditorium during BuildEx San Francisco. Applications will be available June 1 at www.bomasf.org.

Winners of CORY awards will receive cash awards and recognition. It is the intention of these awards to honor especially the people who make recycling possible in our facilities. Winners will be encouraged to share these awards with the janitorial staff who work tirelessly to enable our programs to be the best. An apprecia-

tion event for the tenants who participate in recycling is also recommended. Monies may also be used to reinvest in the existing recycling program to replace bins or buy a new compactor.



Whether your program is new or old, or your building is large or small, if you have an excellent recycling program, you are encouraged to apply. Buildings will be judged in three categories based on square footage: Small - Under 100,000 square feet, Medium - 100,000 to 299,000 square feet, and Large - over 300,000 square feet.

To learn how to improve your recycling program or to get more information

about the CORY Awards, please contact BOMA's Solid Waste and Recycling Task Force Chair Kathleen Hennesey at 415-978-3425 or Chris Levaggi, Golden Gate Recycling, at 415-575-2437

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BOMA Sponsors Fifth Annual Earthday

BOMA San Francisco was a proud sponsor of the Fifth Annual Earth Day Breakfast held April 18, 2002. The event was organized by San Francisco's Department of the Environment. Since its inception five years ago, SF Environment has worked in coordination with community environmental groups, City departments and partner businesses to accomplish important environmental initiatives, including reductions in gas emissions, and diverting materials from landfill, among others.



Mayor Brown with Jared Blumenfeld, Dir., Dept. of Environment.



Ed Lee, Dir., Dept. of Public Works, with members of BOMA's Recycling Task Force, Laura Baughman, MMI Realty, and Angela Canziani, Gardener's Guild.



Supervisor Aaron Peskin (Dist. 3) with John Legnitto, Golden Gate Disposal celebrate Earth Day 2002.



SF Environment

BOMA-SF-PAC

SERVING SAN FRANCISCO

BOMA-SF-PAC has made its mark in local politics with the help of all of its contributors. Listed below are some of the key achievements accomplished together over the past 12 months.

BOMA-SF-PAC...

- significantly assisted the effort to stop two misguided and economically unsound Public Power ballot initiatives from being passed by the city's voters in November, 2001.
- supported the election of Dennis Herrera as the new City Attorney and Susan Leal (for re-election) as the City Treasurer in December, 2001.
- helped pass an initiative to establish a city bond oversight committee in March, 2002.
- ensured that bicycle parking regulations passed by the SF Board of Supervisors were not overly restrictive on existing building owners.
- assisted in stopping a downtown truck ban on weekdays, and in promoting more rational parking policies to reflect the needs of building owners and tenants.
- continuously made sure your voice was heard every day at City Hall, and in Sacramento.



BOMA-SF-PAC supported **Supervisor Leland Yee** in his race for the California Assembly seat representing western San Francisco. BOMA threw a congratulatory dinner for the supervisor at Jardiniere Restaurant to introduce him to BOMA California Executive Director **Les Spahn**, BOMA-SF-PAC Vice Chair, **Jim Christian** (Shorenstein Realty), and other members of the PAC. At the dinner, the group discussed key issues facing BOMA on a state-wide basis.



On March 13, BOMA San Francisco participated in the annual BOMA California Legislative Day in Sacramento. BOMA California Board Member **Steve Colvin** (Boston Properties) welcomed **Assemblyman Joe Nation**, the newly elected democrat from Marin County to the reception. Joining Assemblyman Nation were BOMA San Francisco Executive Vice President **Marc Intermaggio** and former BOMA-SF-PAC Chair, **Jerry Cahill** (CALFOX, Inc.).

We thank the following companies whose generous support of BOMA-SF-PAC in 2002 is helping us accomplish our public policy objectives for the commercial real estate industry. Your continued support will help us advance member business interests. We encourage you to make either a personal or corporate contribution to BOMA-SF-PAC if you have not already done so.

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Congratulations

Congratulations to Kurt Nehrer, City Building, Inc. who won a gift certificate for a foursome of golf at Stone Tree Golf Course in Novato. The raffle was held at BOMA's April Membership luncheon, compliments of BOMA San Francisco.

Also at the April Membership luncheon, Bruce Schilling, August Supply and a member of BOMA-SF-PAC, drew Cameron Quistgard's, Richard Sampson Associations, Inc., business card from the big silver bowl. BOMA-SF-PAC collected these cards at the Game Night at Pac Bell Park event for a drawing of four tickets plus parking pass to a June Giant's game. Cameron was a guest of BOMA member, Rossi Builders. The ticket package was provided compliments of August Supply, Inc.

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Cushman & Wakefield's support of BOMA San Francisco as a 2002 Silver Corporate Sponsor demonstrates its belief in the value of BOMA's advocacy, professional development and information services for commercial real estate professionals.

Increasing After-Tax Cash Flow Through Cost Segregation

by Ed Hanley

Everyone is looking for an edge in the current leasing environment. Anything that makes the current market more palatable is welcome. One area that landlords and tenants are increasingly pursuing is accelerating the depreciation of improvements.

In the late 1980s, the tax law changed the treatment of leasehold improvements and required depreciation over the longest possible depreciable life for real estate (now 39 years). Before that change, the improvements were written-off over the term of the tenant's lease.

There have been some recent favorable pronouncements by the IRS that allow taxpayers to segregate leasehold improvements that may be depreciated over a shorter life (such as 5 or 7 years) from those that are depreciated as real property. For the landlord, the present value of the increased tax deductions can greatly improve the after-tax cash flow from the property. (See graphic)

The process of carving assets with shorter lives out of the overall project is called cost segregation.

Cost segregation requires the combined skills and knowledge of a tax professional and an engineer. These professionals analyze each aspect of the entire project to identify the improvements that may be depreciated over shorter lives.

Here's an example where cost segregation leads to great tax savings. A company had made \$4 million in leasehold improvements back in 1997 and was depreciating those

improvements over 39 years. The improvements related to HVAC and other specialized build-out. In early 2002, the company's owner read about cost segregation in an industry newsletter and contacted his accountant. By aggressively pursuing cost segregation, this company

will client will accelerate over \$2 million of deductions into its 2001-2005 tax years - deductions that otherwise would have been taken over the next 30+ years.

Cost segregation works especially well with computer and telecommunications related build-out, utilities upgrades, signage, landscaping and parking lots. If 20% of the costs incurred on a \$2.5 million project are recharacterized as personal property, the ten-year present-value savings may be \$130,000 using an 8% discount rate. On a smaller scale, a tenant build-out that costs \$500,000 and identifies 20% of the improvements as personal property has a present-value savings of \$25,000.

Net Present Value of Segregating Construction Cost in a Tax-Efficient Manner

Analysis

Project Costs Incurred	Gross Tax Savings over 10 Year Period				
	Percentage Segregated as Personal Property				
	10%	15%	20%	25%	30%
250,000	7,994	11,990	15,987	19,984	45,481
500,000	15,987	23,981	31,974	39,968	90,962
1,000,000	31,974	47,962	63,949	79,936	181,923
2,500,000	79,936	119,904	159,872	199,840	454,808
5,000,000	159,872	239,808	319,744	399,679	909,615

Project Costs Incurred	Net Present Value Using an 8% Discount Rate				
	Percentage Segregated as Personal Property				
	10%	15%	20%	25%	30%
250,000	6,629	9,944	13,258	16,573	36,845
500,000	13,258	19,887	26,517	33,146	73,690
1,000,000	26,517	39,775	53,033	66,292	147,380
2,500,000	66,292	99,437	132,583	165,729	368,449
5,000,000	132,583	198,875	265,166	331,458	736,899

The IRS has conceded that the costs of projects may be segregated along functional lines using the principles that apply for the Investment Tax Credit. As noted, the present value of the increased deductions from depreciation can help increase the building owner's after-tax rate of return. In the current leasing environment, cost segregation may help turn lemons into lemonade.

Ed Hanley is the Director of Tax at Shea Labagh Dobberstein, CPAs where he is involved in providing comprehensive tax advice to a broad range of clients in the construction trades and the real estate industry.

Members on the Move



Renoir Staffing Services, Inc. has added **Nancy Corrigan, CFA** as Chief Financial Officer and **Sean Gogan** as Oakland Branch Manager. As CFO, Ms. Corrigan will be responsible for financial management and developing the financial strategy to optimize Renoir's continued growth. Previously, she was Vice President for AMB Investment Management in San Francisco and is actively involved in the San Francisco Commercial Real Estate Women. As branch manager of Renoir's Oakland Headquarters, Mr. Gogan will manage day-to-day operations as well as expand the commercial real estate division. Most recently he was Director of Operations for Key Resources.

Bonnie Kalbrosky, RPA, FMA, with **Shorenstein Realty Services** has assumed the position of Assistant Property Manager for 45 Fremont Street. Bonnie has been with Shorenstein for 5 1/2 years, and also serves as Chair of BOMA's Program Committee.

Laura L. Crabtree has joined **Sentinel Guard Systems** as Senior Account Manager and is responsible for managing client relationships at all of Sentinel's key Northern California accounts. Ms. Crabtree has over 15 years of operational experience in the hospitality industry.

Environmental Industries' Founder and Chief Executive Officer **Burton S. Sperber** was inducted as a Fellow of the American Society of Landscape Architects (FASLA), an honor recognizing the continuing and distinguished service of the nation's top landscape architects and allied landscape professionals. He was recognized for furthering the understanding between landscape contractors and architects, and for a half century of service and support to the profession.



Unico Properties has hired **Bob Clay, Sr.** as Chief Engineer for 100 Pine Street. Clay brings 40 years of engineering expertise in San Francisco high-rise office buildings to Unico. Throughout Clay's career, he has received numerous honors for his work in conserving energy and excellent customer service, including

PG&E's Energy Conservation of the Year award for his work at 555 California Street. Prior to joining Unico, Clay worked for The Shorenstein Co. for 11 years, most recently as regional chief engineer.

*Been Promoted?
Received an Award?
Appointed to a Leadership Position?*

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