

**Modern lease management considering as example Stadtwerke München (municipal utility of Munich)**

**Ranging from lease agreement administration and additional cost accounting to area allocation**

**With moving into the new head office Stadtwerke München established diverse facility management concepts, such as a new lease management solution within the scope of the commercial building management, thus integral part of facility management.**

Municipal utility of Munich

Stadtwerke München is the biggest communal infrastructural company in Germany. The Bavarian capital city is provided with electricity, natural gas, long-distance heating as well as with drinking water from the alpine upland. Furthermore, the company is running 17 indoor as well as outdoor swimming pools, some of the most renowned federal state-of-the-art spas. The affiliate, MVG [Münchner Verkehrsgesellschaft – Munich Public Transport Corporation], is in charge of subway, bus and tramway public transportation within Munich.

In 2002, a new head office in the Munich district Moosach was moved into and thus an important milestone in the company's history was laid with regard to facility management concepts, too. The new head office of Stadtwerke München is administered and operated by the real estate department of Stadtwerke München.



picture 1: The new main office of Stadtwerke München located in Emmy-Noether-Straße 2, Moosach, © Stadtwerke München

**New management approach with new building**

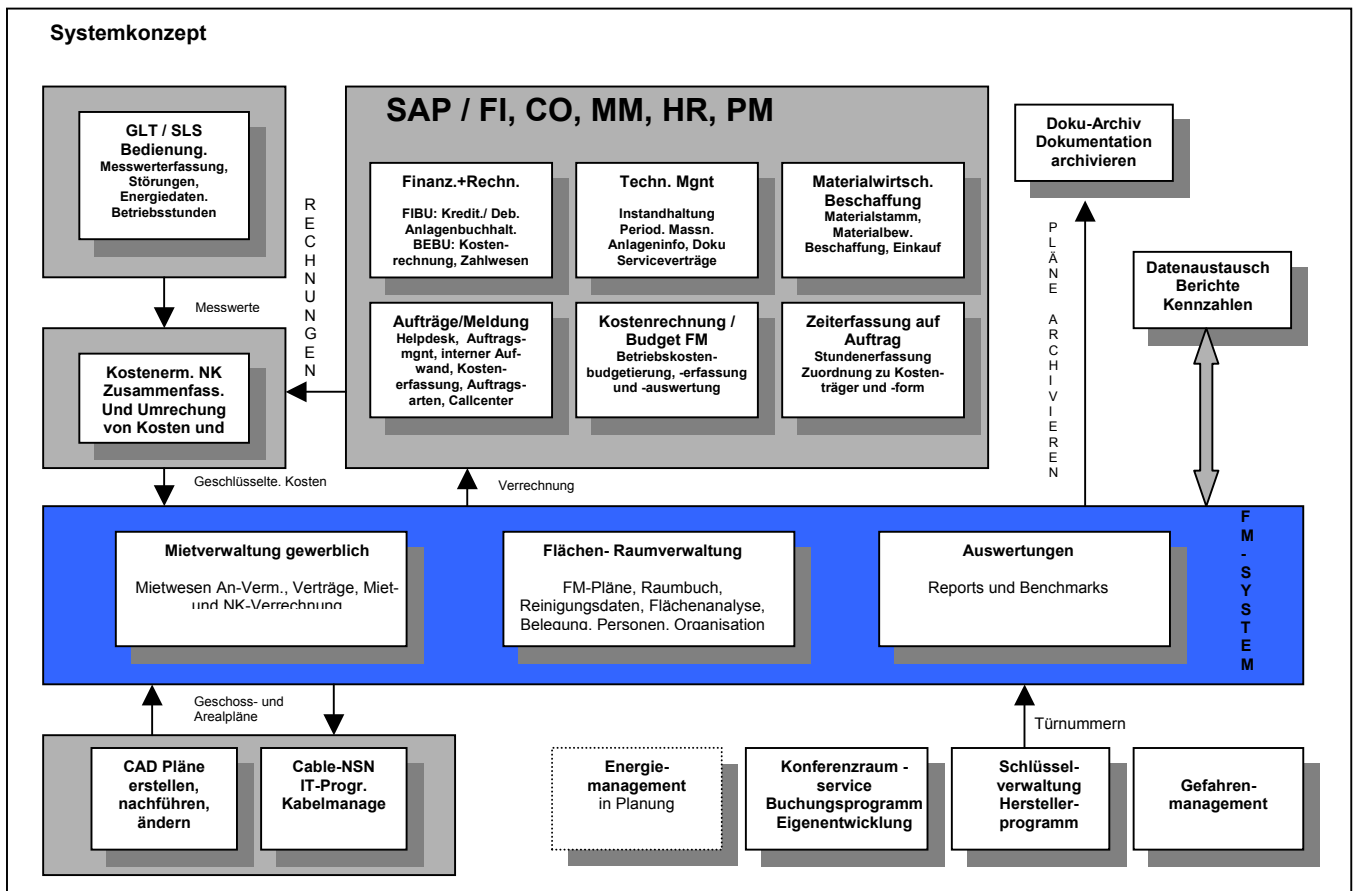
With the new main office building in Emmy-Noether-Straße 2 in Munich and the resulting site concentration of Stadtwerke München by merger of 28 locations, the starting point for a new

management solution in the range of building management and above all lease management has been established.

In the former locations rental cost accounting was carried out with flat rate additional costs. Agreements regarding use and service level arrangements with tenants did not exist. The introduction of a market-driven performance and user-dependent cost allocation by means of the new lease management concept was intended. To do so an informative controlling of the lease accounting for the landlord as well as for the tenant was required.

### Implementation of the concept with the aid of real estate management software

For implementation of this new concept a corresponding real estate management software was urgently required. The fields area management, technical, infrastructural and commercial building management of Stadtwerke München should be given fast access to the relevant real estate management data. Implementation of a continuous real estate management system taking into account all operational processes as well as the existing software environment was aimed at. Since SAP is being used in the commercial as well as in the maintenance field at Stadtwerke München linking with the SAP system was imperative.



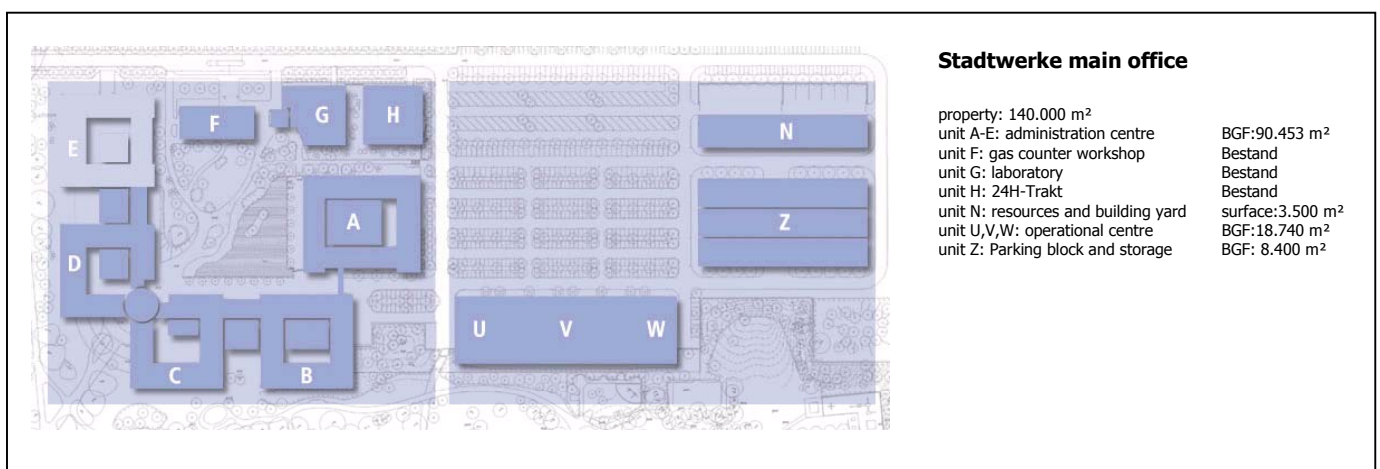
picture 2: systems concept of Stadtwerke München main office © Stadtwerke München

For easy administration of the operation of all premises of Stadtwerke München as well as of the external real estate property, it is mandatory for the system to be adaptable to various clients. Due to

the tight time frame, high user acceptance and partial success which materialised at an early stage were very important selection criteria. The possibility of a very flexible lease and additional cost accounting in line with individual consumption was essential for the system decision, as well. The decision was made in favour of *speedikon*<sup>®</sup> FM real estate management software. This system fulfills all the specifications requested. Upon implementation, a high degree of acceptance from the operating team of the Stadtwerke München real estate department staff could be reached due to the system's user-friendliness.

### Phases of real estate management software implementation

In the first phase of real estate management software implementation, which started in May 2001, the system was mainly used for support of the infrastructural processes of building management, such as visual space and area planning, move management, occupational planning, parking place administration and cleaning management. Primarily, a structure scheme for classification of the Stadtwerke Munich premises was introduced. By means of this structure scheme it was defined in which hierarchic layout the objects to be managed should be assessed. This structure controls the linkage of the objects among each other and allows a top-down oriented access to the data base. Stadtwerke München opted for the schemes location and outside facilities. The structure scheme of the location is partitioned into four levels and is showing real estate, building, level and room as top-down. The pertaining area is located under each room. The scheme of the outside facilities is two-tiered in real estate and grounds. This way, the overall building object structure is represented by object types, such as for example real estate, building, level, room and area. Thus, the building portfolio of the Stadtwerke Munich main office is being reflected. According to this structure scheme, the visual space planning and area management, move management, occupational planning, parking space administration, cleaning management and as of mid 2002 lease management have been installed. The same structure scheme has been implemented in SAP similarly.



picture 3: Stadtwerke Munich main office, premises overview, © Stadtwerke Munich

## Lease Management

The new building of Stadtwerke Munich is encompassing a gross floor area of 110.000 m<sup>2</sup> at a land area of 140.000m<sup>2</sup>. 2.700 staff members of the corporate group as well as 5 external companies with a total of approximately 300 employees moved into the main office of the affiliated group with an office surface of 90.000 m<sup>2</sup> and a shop floor area of 20.000 m<sup>2</sup>. From the first day on, the complete main office of the corporate group has been rented out. Nowadays, all contracts which have been concluded with the respective internal and external tenants of Stadtwerke München are being administered in the *speedikon*<sup>®</sup> FM lease management. The software solution serves as standard basis for the support of administration and accounting of all lease areas of Stadtwerke München. The corresponding contracts which are being stored in the real estate management system, regulate the relation between the parties to the contract taking into consideration the subject of the contract, i.e. the respective lease object. In particular, the contracts contain information regarding the validity period as well as the computation modalities. Contract rates, contract positions and areas are allocated to the individual contracts. The contract rate contains the data of the lease object which is relevant for the contract and thus represents the conditions under which the respective areas are being rented out. Such conditions are for example the rent excluding utilities and the advance payments of additional costs. This contract item regulates the percentage with which the contract will be participating in the repartition of incurring additional costs. The area is representing the various potential lease object types of Stadtwerke Munich. At present, areas, parking spaces, platforms and promotional objects are supported as rental object types at Stadtwerke München. The rental object does not imperatively have to be located underneath a room. As a rule, parking spaces are placed underneath outside facilities. All areas can be displayed graphically as well as alphanumerically due to the lease management software solution.



picture 4: graphical overview of one storey of the municipal utility main office. Areas rented out to different tenants are identified by varying colours in *speedikon*<sup>®</sup> FM, © Stadtwerke München

## Additional costs

The additional cost computation is another vital transaction within the municipal utility lease management and was implemented at the beginning of 2003 in support of this commercial field. All costs relevant for tenancy such as gas, water and electricity are denominated as additional costs and charged where applicable. However, additional costs can depend on consumption metered respectively on expenditure directly allocated to one contract or they may be assessed by allocation of

costs incurred to various contracts proportionately. Costs for proportionately leased areas, such as hallways, kitchens and canteens are computed by means of apportionment. Not all contracts participate to a full extent in the additional cost computation. Particularly contracts with external tenants contain special contractual regulations ruling out for example certain cost types. At the end of the computation period, the actually incurred costs subject to the individual contractual conditions will be offset against the advance payments made by the tenants. The real estate management solution allows daily pro rata billing of the additional costs. In the account structure, the accurately assessed costs will be directly gathered in accordance with the contract or contract comprehensively and will be collectively settled. The results of such settlement will be transmitted to the commercial system SAP via interface, for further processing.



picture 5: paradigm of additional cost computation at Stadtwerke München, © Stadtwerke München

### **SAP integration and utility**

SAP is the leading system with regard to the tenant data of Stadtwerke München. Therefore, an exchange of data between *speedikon*<sup>®</sup> FM and SAP through an ASCII interface does take place. Based on the individual contractual data provided by *speedikon*<sup>®</sup> FM, SAP established the final invoices. Thus, the monthly accounting of rental fees is carried out with the aid of *speedikon*<sup>®</sup> FM, invoicing however is processed through SAP. According to Reiner Weber, area manager of the real estate department at Stadtwerke München, the advantage of using the real estate management module is constituted by the flexibility of the individually leased areas. Due to the real estate management solution differing clearing conditions can be assigned to the respective areas. Furthermore, cost assessment and allocation in a more flexible way and in accordance with individual consumption is possible. This is the prerequisite for accurate accounting of the leased spaces in SAP. In addition, comprehensive graphical and alphanumeric evaluations on all contract levels can be established and a process of keeping a history of rental data for the additional cost computation can be initiated.

### **The result**

By implementation of the new facility management concepts in the main office of the municipal utility, Stadtwerke München made a decisive contribution to creation of value within the corporation. From a commercial point of view, the introduction of the real estate management software led to enhancement of the overall lease management process. Today, the internal and external leasing is

done at market conditions and the accounting of rental costs is subject to consideration of additional costs in accordance with individual consumption.

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