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NEGOTIATING A LEASE: THE PORTER'S WAGE

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SPECIALISTS IN COMMERCIAL LEASES

GGK's Real Estate Services Group has developed a specialty in commercial leases. We concentrate on the financial aspects of commercial leases by assisting brokers, lawyers and clients in negotiating their leases. We believe that the time to save money on a lease is during the negotiation. In the world of business as a whole and real estate transactions, in particular, there is truth in the notion that one makes money on the buy which is realized on the sell. The parallel here is you cut costs during the negotiation. You don't save money after the fact by trying to find errors in the escalations of rents. The audit process after the fact is solely to determine that you are properly paying escalation amounts for which you contracted. Today we are going to be talking about the negotiation process, and tie it in with what happens after you are done negotiating.

TENANTS' MARKET

I will affirmatively state that this is a tenants' market. In the 1980's, if a landlord handed you a lease you could argue a little, you could negotiate a little, and you would get a little, but, if you wanted to be in that building, you put your signature on the lease and that was the end of it. There were some very very outrageous leases that were signed and the tenants in those buildings and in those spaces are now complaining, looking to renegotiate, and because of the state of the current market, many renegotiation of leases are in process. As an example, one of our clients has a lease that at the current time is costing them close to \$40 a foot. They have an offer to end that lease (which still has three years left on it) and sign a new lease with a base rent of \$21 a foot to start plus several months free rent. There are benefits to the landlord in that the tenant will extend the lease for a substantial period of time so that the landlord is assured of having stable tenants in the building for a long time and there will be little or no fix-up costs. We tell our clients and everybody else in the business that today from the tenant's side, ask for the world - you will get a good portion of it.

We have a client that has an electric inclusion clause in their lease of about \$9.00 a foot. They are renegotiating the lease. We are telling them to talk in terms of under \$2.50 a foot. They have special electrical needs and do use a lot more electricity than a normal office. They will probably wind up well under the \$9.00 a foot, probably in the \$3.00 to \$5.00 a foot range. A reduction of that magnitude would have been unheard of in the 1980's.

TEAM APPROACH

I have been doing a fair amount of lecturing over the past two years, and I have said virtually everywhere that I speak that if you want to save money on a lease that you are negotiating, you must involve a team in those discussions. I remember when the tenant's lawyer alone negotiated the lease. The attorney may have brought in an interior designer because of the fix-up necessary in the space, but rarely was an accountant's advice sought. Real estate brokers were there to find the space and to give some advice, but there was no cohesiveness to the team. We are saying that now and continuing into the future, whether the market favors the tenant or the landlord, that because of complications in a lease, such as the high tech nature of communications that will be placed in the space, the team approach to negotiating a lease is absolutely necessary. The cost of the team in comparison to the dollar value of the lease over the term will be small but the result will be considerable dollars saved.

Who should you have as members of the team? You should have a broker who will find the space and give advice concerning the market. You should have a lawyer. We have told many many clients that we recommend strongly that they simply not turn to their corporate or personal attorney unless he or one of his partners is extremely knowledgeable about commercial lease transactions. Too many in-house counsels, who rarely see a lease, or a lawyer who does a business a favor but basically is a corporate lawyer, or has some other

specialty, try to negotiate leases and it does not work - there are too many complications in a lease. For our clients we recommend that a trained commercial lease attorney be involved in the negotiation. We recommend strongly that we be involved. There are many financial issues that have to be addressed in negotiating leases for which the tenant must have the proper financial advice.

I strongly recommend that the team include an interior designer, whether or not you are going to build out space. For example, we have found clients who expected to have a certain amount of electrical current going into the space only to be surprised when they got their designer in after the fact and found that there wasn't enough. Also, there was a recent case where a computation of the escalation in a lease was based on square footage but the actual footage of the space was half of what was stated in the lease. The court ruled that the tenant should be charged based on the square footage that they agreed to under the lease, even though the actual footage was smaller. You need someone to measure the space before the lease is signed. The only way you can do it is by getting the right people.

If you are in a specialty area, you may need additional members on the team. For example, we had a client that was building a chemical plant from scratch. Besides the person who designed the interior, they had to get a process engineer to determine that what they wanted to do with the chemical process could be done within the scope of what was going to be built. You may find it is adequate not to deal with certain specialists but, generally, the team approach is highly recommended by us if you want to do the lease right and save money while you are doing it.

SMALL USERS OF SPACE

It is interesting that in this market, we have clients who have taken less than 5,000 square feet of space who have gotten concessions - major concessions - from their landlords. No

matter what size space you or your clients are looking at, ask, demand, threaten and you will get at least some if not all of the concessions. An interesting thing about this market is that small users are in demand by landlords because there are few major users of space around and there are more buildings that need to fill space with those smaller users.

Sometimes, the user is in a space on which the lease is about to end and the tenant really doesn't want to move. Usually, this involves a tenant in a relatively small space who tells the landlord that he or she wants to stay. This effectively cuts off the greatest bargaining chip that the tenant has: threatening to leave the building. We have a situation right now where a small space user has indicated to the landlord that they do not intend to move and the landlord gave that tenant a "final" offer at a rent that is at or slightly above fair market value. No fix-up cost or brokerage commission must be paid by the landlord so a lower rent should be negotiable. The landlord has stated categorically that he sees no reason to negotiate further since the tenant wants to stay. If you leave the option to move open, you have the ability to stay where you are and maybe get more rent concessions. If you concede the possibility of moving, you lose the ability to negotiate.

ESCALATIONS

We are seeing the normal rent escalations in proposed leases. Real estate tax escalations are routine. Landlords are still asking for direct operating cost escalations or porter's wage escalations.

These escalation clauses, unfortunately, are almost routinely accepted by tenants. They are negotiated somewhat with regard to direct operating costs. We have not really seen extensive negotiations with regard to the porter's wage clause. As a result of lecturing to the American Bar Association, here, and to specific brokerage and law firms, what we have noted is that the method of calculation and the way the porter's wage clause is written is not

understood by enough people to allow them to fully negotiate the clause. We have been asked various questions about porter's wage. As a result of these discussions and questions, we decided that this might be the occasion where we can go through the porter's wage clause in detail and discuss where and how it should be negotiated.

PORTER'S WAGE ESCALATION

Exhibit A is a representative clause for a porter's wage escalation. The porter's wage clause can be called "escalation rent;" it can be called "additional rent;" it can be called "porter's wage;" and a whole bunch of different names but, say it as you would, it's a calculation by which rent is increased.

If you look at the second paragraph of Exhibit A, there are two words that are key: "arbitrarily agreed." What this means, and what the porter's wage clause was meant to be, is an index - it is not, definitely not, anything real. It's pure and simple, a way of calculating an increase that the tenant is going to pay purportedly to cover the operating costs of the building. And, if you read the last paragraph of Exhibit A, it says that the payment of a porter's wage calculation is not affected by whether or not the landlord ever hires a porter. It is just what it is - it's an index, and the tenant is paying it no matter what.

The fourth paragraph of Exhibit A gives you a definition of "wage rate" and that paragraph consists of several key points. One defines the wage rate. What it does not tell you, and what we are going to go through now, is how it is calculated and the method used for calculation (what goes into it.).. All it says on the first line is that it is an amount equal to minimum regular hourly wages and all the sums required to be paid to, or for the benefit of, porters. It does not tell you how you get to these numbers. That clause, as written, is what we call a "porter's wage clause with fringe benefits." If you simply leave out (ii), it is without fringe benefits. So, the first thing you must realize with regard to porter's wage is it can be

with fringe benefits or it can be without fringe benefits, and the calculation of it will give you a result that can be good, bad, or somewhere in between for the tenant.

The second key in the second paragraph is that it says "pursuant to a collective bargaining agreement...." That collective bargaining agreement is negotiated and has historically been for three years. It is effective and changes as of January 1 of each year. What we are finding, when we go back and evaluate what a tenant is paying as a result of the porter's wage escalation, is that the Agreement spells out what should be included in the calculation of the porter's wage, the dollar items, but that landlords (not all, but some) add things that are not based on the union contract. Their logic is that the things that were added are costs that they incur though not specified in the Agreement. We are saying that the porter's wage should be pursuant to the Agreement and other items should be included only if specified in the lease.

CALCULATION OF PORTER'S WAGE ESCALATION

How is the porter's wage rate calculated? The calculation in its simplest form is the porter's wage rate is equal to the cost of a porter divided by hours. The problem with this calculation is that both the cost of a porter (the numerator) and the hours (the denominator) can vary substantially. You must know what goes into the cost of a porter, what goes into hours, and how the mix works together to determine what you will be paying in the future. Unfortunately, during the negotiation stage, too many people look at this paragraph, think that they are looking at a simple calculation, do not understand how it works, and do not ask the landlord to provide a calculation to show how that landlord computes the porter's wage rate.

Let's go through a little bit of algebra and arithmetic. The cost of a porter is the numerator; hours are the denominator. In algebra, if the numerator goes up and the denominator stays

constant, the porter's wage rate will increase. The reverse is also true. If the cost of a porter stays constant, and the hours go down, the porter's wage rate will increase. That is the algebraic concept.

This can be refined to an art. If the landlord can figure out how to get the cost of a porter to go up, and the hours to go down, he has increased the porter's wage rate dramatically. If you look at the first page of Exhibit B, this is quite apparent. You have at the top "Standard Hours Method" and "Hours Worked Method." These are two distinct calculation methods that can be used for computing the porter's wage rate. The standard hours method uses the concept that there are 2,080 hours in a working year. Hence, 2,080 is the number to be used as the denominator at all times. It is a fixed amount based on 52 weeks at 40 hours per week. The hours worked method assumes that the porter doesn't work 2,080 hours. The porter works 2,080 hours, less 80 hours a year for vacation, 88 hours a year for holidays, 8 hours for a birthday, 80 hours for sick days, and 16 hours for health days, etc. - he does not work 272 hours. The porter works only 1,808 hours. If this lower number of hours is used, the landlord has raised the porter's wage rate. If you look at the bottom line on the first page of Exhibit B where it says porter's base wage rate, and you look at just the last column, with fringe benefits, under the standard hours method, the hourly rate would be approximately \$16.75 per hour. By use of the hours worked method, double-up with fringe benefits, you can get that rate up to approximately \$19.27 per hour. We have a porter's wage calculation in my office that brings the denominator down to 1,508 hours. We used 1,808 hours in Exhibit B. The rate per hour would increase dramatically if we use 1,508 hours.

What you need to know is the method the landlord is using. You have to know whether the standard hours method is being used or the hours worked method is being used, and you also have to know what cost items are included in the calculation. It is important, among

other reasons, because if in the base year (which is the first calculation made and upon which the escalation is calculated), for example, is a \$1 porter's wage rate and the succeeding year is \$1.20, then that 20¢ increase based on your square footage becomes the increase in your rent. The higher the base year porter's wage, the greater will be your increase on an annual basis.

People ask "how can that be?" If you are starting with certain costs in the first year, and have the same costs included in the second year, shouldn't the change be the same no matter what the base is?" The answer is "no." If you look at the second page of Exhibit B, you see actual numbers. Again, everything in porter's wage comes out of the book - the Bible - The Commercial Building Agreement. We just took the numbers out of there. We did the 1990 base wage on the first page of Exhibit B, and the 1991 calculation on the second page. In 1990, using the simplest calculation (wage rate only under the standard hours method) the porter's wage rate was approximately \$12.34 per hour. In 1991, under the wage rate only - standard hours method, the new rate is approximately \$12.91 which is an increase of 57 cents per hour. That translates into dollars if you have 10,000 square feet of space. The escalation is \$5,750 in 1991. But, if you look across that line, "1991 escalation rate," you will see that the rate constantly rises. As the base wage goes up, based on the different calculations, the escalation cost for 1991 increases. You want to keep the base year rate for your porter's wage as low as you possibly can. How do you do that? If you know the method being used by the landlord, you can negotiate whether it's the standard hours method or the hours worked method. If you know the costs included in the calculation, they can be negotiated. You will understand and memorialize in the lease the method to be used and the costs to be included.

You have got to understand what you are using before you sign the lease. So, the first thing is, are you using the standard hours method or the hours worked method? The second thing

is, what costs are being used in the calculation? It's simple to write a contract that says without fringes. Most people believe that this means that you go to the back of the book (the Commercial Building Agreement), you find the appropriate line - that is the dollar rate per hour. You look at it the next year, and you determine the increase. But, if you look at Exhibit B again, the calculation for the 1990 base year, you will see a line that says "without fringes" and I have included three different ways "without fringes" can be measured. And, I have seen all three ways used. Which one is to be used in your lease?

We have taken a position - and I have negotiated it in several leases - where we will define specifically in the lease which calculation is to be used. I wrote one clause that says that the porter's wage increase shall be based upon the increase between the "other" category for a first class office building in 1990 versus that same number in 1991. That allows the use of the least expensive method.

To go to the other extreme, if you agreed to the hours worked method, and you use the double-up calculation, understand what you are getting into. When a tenant agrees to an escalation based on porter's wage with fringes, the question is "Is the dollar value of hours for vacations and other times the porter does not work included or excluded from the cost of the porter (the numerator)?" In the hours worked method the hours (the denominator) are already reduced by the number of those hours not worked. If you allow those hours to be reduced and also to include the cost of those hours in the cost of the porter, the effect is to increase the numerator and decrease the denominator and get the highest possible rate. I believe this is double-dipping, but there are landlords that are doing this and they are doing it based on the escalation clause we have shown you in Exhibit A.

Any of the calculation methods can be justified based on the escalation clause we have shown you because the landlord says "I haven't specified a method; I can use any method I

want, and I can use any costs I want." As a result, we cannot stress strongly enough, get the landlord to provide you with a very specific calculation of how the porter's wage rate is done, then work through it. Go through the calculation the way we go through it in Exhibit B so that you know what you're up against.

Let me give you an example of a cost that was included in porter's wage calculations that is not specified in the Agreement. In 1990, the State of New York passed a law that said if you buy outside cleaning services from a vendor, you have to charge sales tax for that service at 8-1/4%. That has nothing to do with porter's wage, but when we were looking at a porter's wage calculation for a major client, that 8-1/4%, starting in '90, was added to the cost of the porter. It is the only time I have seen this cost included and there was an awful lot of money involved. That is the type of thing we find when we check and go through the calculations.

If you go to the last page of Exhibit B, you will see the net effect of the porter's wage calculation over two years and the increases based on any of the individual calculation methods that may be used. But, there is something else on that page. If you look at the left, you will see - assume \$30 per square foot, assume \$20 per square foot, assume \$15 per square foot. These are various levels a tenant might accept as base rent - \$30, \$20, \$15 per square foot. This shows you what the percentage increase would be over the three year period using each of these methods at the various rental rates. What this says is that the lower your base rent rate, the more you are being penalized on a percentage basis if you have a porter's wage escalation. As a result, if you are a \$15 per square foot user in 1991, your increase would have been 3.83% if a standard hours method wage rate only, calculation was used, and 7.68% under the hours worked method double-up with fringe benefits calculation. In this market that does not make sense because the inflation rate is running only at about 2-1/2% to 3%, maybe 4%. So, if you have a low base rent and your lease calls for a porter's wage escalation, you can expect to pay greater than the inflation rate and, in

future years, will complain about the excessive rents you are paying.

If a tenant has a low base rent or is a small space user - we define a small space user arbitrarily as a tenant renting under 20,000 square feet of space - we have begun to try to negotiate away from either a porter's wage or, for that matter, a direct operating cost escalation. Instead we have been trying to negotiate 2-1/2% to 3% per year increases calculated on the original base rent. What is the advantage to the tenant? You do not have to do any calculations. You specify the rent in the lease and eliminate the escalation clause. The landlord knows what he is getting and, from a tenant perspective, the risk involved in the cost of operating the building reverts back to the landlord rather than being accepted by the tenant. What has happened over the last few years is that all the risks connected with running a building have been passed from the landlord to the tenant. This is the time and the market to reverse that trend.

Going further, subparagraph (b) of Exhibit A addresses base year rate or the date after which any increase would trigger an escalation. In this case it says "as at date of this lease." Recall, the Agreement only changes the rate as of January 1. If you sign the lease today, the landlord is likely to say "Use the wage rate effective today" as this lease does. That means you get a kick-up in rent or additional rent from a porter's wage increase as of January 1, 1993. We don't know if we will get it on every occasion, but if we were negotiating a lease today that has a porter's wage clause in it, we would ask for January 2, 1994 as the base year date. That would mean that the first escalation would be January 1, 1995. Probably, when you negotiate you would give that away and wind up with a base date of January 1, 1993 in anticipation of getting something else somewhere in the lease so that your first rent increase would be January 1, 1994. But, if you did that, I would probably turn around and say to the landlord "Okay, but I want a date of December 31, 1993 rather than January 1, 1993." Why? We don't know what could happen in the middle of the year. Something might cause the

wage rate to go up in the middle of the year, which would result in an escalation in June 1993. Since the wage rate is good for a year, we can argue it is the same rate on January 1 and December 31. Let's use December 31. Will anything occur? I don't know, but at least it gives you more time in case it does.

Next, if you look at subparagraph (c), the footage is stated. That footage number, as I said before, was the subject of a law suit, and the tenant lost because the number was affirmatively stated. Thus, it must be accurate or you will be overcharged. That result can be prevented for a tenant by having square footage measured. I have yet to see a remeasurement that indicates that the footage in the lease is what it is in reality - what is stated there. It's usually lower.

The other thing that affects the rate to the tenant - and it is just pennies - is the building classification called Class A, Class B and Class C. Landlords do not like the connotation that they are running anything but a Class A building, and if I say Class A, the first thing that pops into the minds of most people is it is a top of the line building. That is not the definition of the classifications under the Agreement. Class A, Class B and Class C are defined based on size, not quality of the building.

There is a small difference in rate when you have a Class A building versus a Class B building. For example, the porter's wage rate for a Class A building in 1992 is \$13.537, while the Class B rate is \$13.506 - a 3.1 cent difference. That 3.1 cent per foot out into the future multiplied by annual percentage increases seems very small, but it adds up. We had one landlord come back to us and say "What are you nitpicking about? It's very tiny." The answer was "Yes, it is very small. You can give it up as well as I can. Let's call it a Class B building." So, that is another way of manipulating a slight savings.

The paragraph following subparagraph (c) tells you how you calculate porter's wage rate. It tells you that you take the increase and multiply it by a factor. The standard factor is "penny for penny." If you have a penny increase in the rate, then the rent goes up a penny a foot. However, studies have shown that in connection with the operation of the building itself, the actual cost of the building rises in a given year is about .5 to .6 cents per penny. However, I have seen leases written anywhere from a .5 up to 2.5 pennies per penny increase. Admittedly, that was in the hey days back in the 1980's and probably would not occur today, but most landlords are saying they will not go below the penny per penny. We are finding that the landlords are accepting less than a penny for penny rate. They will fight you. Maybe you will get something else instead, and you can give up 1/10ths of a penny, but you can get below the penny per penny.

What the porter's wage clause in Exhibit A does not have is a clause regarding the tenant's right to check the calculation because without that clause, you automatically have the right for an indefinite time. Too many leases are written with a clause that says you only have the right to check that calculation and must notify the landlord of errors within thirty days. If you don't notify them within thirty days, it is conclusive that the landlord's calculation is correct. We like to either extend the time to a minimum of 180 days or eliminate it entirely. The reason being that within thirty days you may not find someone to do the calculation and check it. You may not have the time to do it yourself - it's just too short, particularly, if it's a month such as December when you have two weeks of holiday and nobody does anything for the last two weeks of the year. It is a clause that should not be there and the words "conclusive as to the result" should never be there. Whether you have a porter's wage, or a direct operating expense escalation, take advantage of the fact that it can be checked.

From our perspective, after doing it for a number of years and talking to colleagues in the industry, 100% of all escalation calculations are incorrect. Some are small and some are

very large. We have several overcharge claims of from \$800,000 to \$1,500,000 for tenants in midtown buildings in process. If we find a small error, it may not be worth pursuing and we may simply send it to the landlord. It is not worth fighting about. If it's a major error, it is pursued and may take a long time (more than a year) to negotiate. It's a long process because the landlords are ambivalent about paying the money. On the one hand they have cash flow problems and do not want to give up cash, but on the other hand, they don't want it out that their escalation computations are incorrect. Landlords are so cognizant of the potential damage if adverse information gets out that now some of them are making the tenants sign confidentiality agreements before we go in to do the work; not after, which is normal, but before.

Use your rights. Tenants demand the right to examine escalations. They negotiate it. They say that they will examine the escalations and then they don't do it. Maintain your rights. Do the check afterwards - whether you do it yourself or you have somebody do it for you.

We spent a lot of time on porter's wage. It is intentional. We hope you learned something from it. Thank you very much.

Escalation Rent

Section 22.01. Tenant shall pay to Landlord, as additional rent, sums computed and payable as hereinafter provided in this Section 22.01 and in Section 22.02 (sometimes collectively referred to as "escalation rent").

The additional rent payable under this Section 22.01 will be computed pursuant to the following described formula which has been arbitrarily agreed upon and adopted by Landlord and Tenant as a measure for establishing the amount of such additional rent.

To facilitate the application of the formula, the following words are hereby given the respective definitions and meanings hereinafter indicated:

(a) "Wage Rate" shall mean a sum which is equal to the aggregate of (i) the minimum regular hourly wages and (ii) all other sums required to be paid to or for the benefit of porters engaged in the general maintenance and operation of office buildings of the type and in the vicinity of the Building pursuant to a collective bargaining agreement between Realty Advisory Board and Labor Relations, Inc.

(or any successor thereto) and Local 32B of the Building Service Employees International Union AFL-CIO (or any successor thereto). The Wage Rate shall include but not be limited to sums paid for pensions, welfare funds, vacations, bonuses, social security, unemployment, disability benefits, health, life, accident and other types of insurance.

If any such agreement is not entered into or such parties or their successors shall cease to bargain collectively, then the Wage Rate shall mean a sum which is equal to the aggregate of the minimum regular hourly wages and other sums as aforesaid payable to or for the benefit of porters engaged in the maintenance and operation of the Building and payable by either Landlord or the contractor furnishing such services, but not in excess of the minimum hourly wages and other sums as aforesaid for porters engaged in the general maintenance and operation of buildings of the type and in the vicinity of the Building.

(b) "Base Wage Rate" shall mean the Wage Rate as at the date of this Lease.

(c) For purposes of this Article only, the number of square feet of rentable area contained in the Demised Premises is hereby fixed at 10,000 square feet.

If the Wage Rate at any time during the term of this Lease shall be greater than the Base Wage Rate, Tenant shall pay to Landlord, as additional rent, an annual sum equal to 1.00 times the product obtained by multiplying (i) the number of cents (including any fraction of a cent), by which the Wage Rate exceeds the Base Wage Rate by (ii) the number of square feet of rentable area in the Demised Premises specified in subdivision (c) above. Such amounts shall be payable in equal monthly installments commencing with the first monthly installment of minimum rent falling due hereunder after the effective date of such increase in the Wage Rate and continuing thereafter until a new adjustment in the additional rent shall be established and become effective in accordance with the provisions of this Section. However, notwithstanding any change in the Wage Rate downward, the minimum rent shall not be reduced. If any increase in the Wage Rate shall be made retroactive, Tenant shall pay to Landlord the amount of such retroactive adjustment within ten (10) days after being billed therefor.

The formula for determining the additional rent specified in this Section 22.01 is an arbitrary measure agreed upon and established by Landlord and Tenant mutually as a standard to accommodate increased over-all costs of owning, maintaining and operating the Building and the premises covered by the Net Lease referred to in Article 25, and without regard to whether the amount arrived at in applying the formula is more or less than required for such purposes. Accordingly, Tenant shall pay such additional rent whether or not in fact the escalation rent payable by Tenant under this Article and the escalation rent payable by all of the other tenants in the Building aggregate more or less than such increases, and whether or not the number of porters as at the date of this Lease is more or less than at the time the Wage Rate is increased.

EXHIBIT B - page 1

COMPUTATION OF PORTER'S WAGE ESCALATION

STANDARD HOURS METHOD VERSUS HOURS WORKED METHOD
1990 BASE YEAR FOR CLASS A OFFICE BUILDING

	STANDARD HOURS METHOD			HOURS WORKED METHOD		
	WITHOUT FRINGES			WITHOUT FRINGES		
	WAGE RATE ONLY	WAGE RATE AND TAXES	WAGE RATE, TAXES AND TIME OFF WITH FRINGE BENEFITS	WAGE RATE ONLY	WAGE RATE AND TAXES	WAGE RATE, TAXES AND TIME OFF WITH FRINGE BENEFITS
MINIMUM WAGE RATE	\$25,660.96	\$25,660.96	\$25,660.96	\$25,660.96	\$25,660.96	\$25,660.96
EMPLOYER FICA (7.65%)		1,963.06	1,963.06		1,963.06	1,963.06
HOURS						
TIME OFF:						
VACATIONS			80			
HOLIDAYS			88			
BIRTHDAY			8			
SICK DAYS			80			
HEALTH DAYS			16			
			272			
HEALTH FUND			2,706.72			2,706.72
PENSION FUND			943.80			943.80
ANNUITY FUND			208.00			208.00
HOURS (DIVIDED BY)	25,660.96	27,624.02	30,979.69	25,660.96	27,624.02	30,979.69
	2,080	2,080	2,080	1,808	1,808	1,808
PORTER'S BASE WAGE RATE	12.3370	13.2808	14.8941	\$14.1930	\$15.2788	\$17.1348
			16.7491			\$17.4129

	STANDARD HOURS METHOD			HOURS WORKED METHOD		
	WITH FRINGES			WITH FRINGES		
	WAGE RATE ONLY	WAGE RATE AND TAXES	WAGE RATE, TAXES AND TIME OFF WITH FRINGE BENEFITS	WAGE RATE ONLY	WAGE RATE AND TAXES	WAGE RATE, TAXES AND TIME OFF WITH FRINGE BENEFITS
MINIMUM WAGE RATE	\$25,660.96	\$25,660.96	\$25,660.96	\$25,660.96	\$25,660.96	\$25,660.96
EMPLOYER FICA (7.65%)		1,963.06	1,963.06		1,963.06	1,963.06
HOURS						
TIME OFF:						
VACATIONS			80			
HOLIDAYS			88			
BIRTHDAY			8			
SICK DAYS			80			
HEALTH DAYS			16			
			272			
HEALTH FUND			986.96			986.96
PENSION FUND			1,085.66			1,085.66
ANNUITY FUND			98.70			98.70
HOURS (DIVIDED BY)	25,660.96	27,624.02	30,979.69	25,660.96	27,624.02	30,979.69
	2,080	2,080	2,080	1,808	1,808	1,808
PORTER'S BASE WAGE RATE	12.3370	13.2808	14.8941	\$14.1930	\$15.2788	\$17.1348
			16.7491			\$17.4129

EXHIBIT B - page 2

COMPUTATION OF PORTER'S WAGE ESCALATION
STANDARD HOURS METHOD VERSUS HOURS WORKED METHOD
1991 COMPARISON YEAR FOR CLASS A OFFICE BUILDING

	STANDARD HOURS METHOD				HOURS WORKED METHOD			
	WITHOUT FRINGES		WITH FRINGES		WITHOUT FRINGES		WITH FRINGES	
	WAGE RATE ONLY	WAGE RATE AND TAXES	WAGE RATE, TAXES AND TIME OFF	FRINGE BENEFITS	WAGE RATE ONLY	WAGE RATE AND TAXES	WAGE RATE, TAXES AND TIME OFF	FRINGE BENEFITS
MINIMUM WAGE RATE	\$26,856.96	\$26,856.96	\$26,856.96	\$26,856.96	\$26,856.96	\$26,856.96	\$26,856.96	\$26,856.96
EMPLOYER FICA (7.65%)		2,054.56	2,054.56	2,054.56		2,054.56	2,054.56	2,054.56
HOURS								
TIME OFF:								
VACATIONS	80		1,032.96	1,032.96			1,032.96	1,032.96
HOLIDAYS	88		1,136.26	1,136.26			1,136.26	1,136.26
BIRTHDAY	8		103.30	103.30			103.30	103.30
SICK DAYS	80		1,032.96	1,032.96			1,032.96	1,032.96
HEALTH DAYS	16		206.59	206.59			206.59	206.59
HEALTH FUND				3,215.28				3,215.28
PENSION FUND				969.80				969.80
ANNUITY FUND				312.00				312.00
HOURS (DIVIDED BY)	26,856.96	28,911.52	32,423.58	36,920.66	26,856.96	28,911.52	32,423.58	36,920.66
	2,080	2,080	2,080	2,080	1,808	1,808	1,808	1,808
PORTER'S BASE WAGE RATE	12.9120	13.8998	15.5883	17.7503	\$14,8545	\$15.9909	\$17.9334	\$18.4782
1990 BASE YEAR RATE	12.3370	13.2808	14.8941	16.7491	14,1930	15.2788	17.1348	17.4129
1991 ESCALATION RATE	\$0.5750	\$0.6190	\$0.6942	\$1.0012	\$0.6615	\$0.7121	\$0.7986	\$1.0653
					\$0.5750	\$0.6190	\$0.6190	\$1.0012
					\$0.0865	\$0.0931	\$0.1796	\$0.0641

STANDARD HOUR RATE

DIFFERENCE IN RATE

EXHIBIT B - page 4

COMPUTATION OF ANNUAL RENT ESCALATION
 ASSUMING 10,000 SQUARE FEET AND
 PENNY FOR PENNY RATE

	STANDARD HOURS METHOD				HOURS WORKED METHOD				
	WITHOUT FRINGES				WITHOUT FRINGES				
	WAGE RATE ONLY	WAGE RATE AND TAXES	WAGE RATE, TAXES AND TIME OFF	WITH FRINGE BENEFITS	WAGE RATE ONLY	WAGE RATE AND TAXES	WAGE RATE, TAXES AND TIME OFF	WITH FRINGE BENEFITS	DOUBLE-UP WITH FRINGE BENEFITS
1991 ESCALATION RATE PENNY FOR PENNY RATE SQUARE FEET	\$0.5750 1 10,000	\$0.6190 1 10,000	\$0.6942 1 10,000	\$1.0012 1 10,000	\$0.6615 1 10,000	\$0.7121 1 10,000	\$0.7986 1 10,000	\$1.0653 1 10,000	\$1.1518 1 10,000
ADDITIONAL RENT	\$5,750.00	\$6,189.88	\$6,941.80	\$10,011.80	\$6,615.04	\$7,121.10	\$7,986.14	\$10,652.95	\$11,518.00

PERCENTAGE INCREASE ON BASE RENT:

ASSUME \$30/SQUARE FOOT	1.92%	2.06%	2.31%	3.34%	2.21%	2.37%	2.66%	3.55%	3.84%
ASSUME \$20/SQUARE FOOT	2.88%	3.09%	3.47%	5.01%	3.31%	3.56%	3.99%	5.33%	5.76%
ASSUME \$15/SQUARE FOOT	3.83%	4.13%	4.63%	6.67%	4.41%	4.75%	5.32%	7.10%	7.68%

1992 ESCALATION RATE PENNY FOR PENNY RATE SQUARE FEET

	\$1.2000 1 10,000	\$1.2918 1 10,000	\$1.4487 1 10,000	\$2.0320 1 10,000	\$1.3805 1 10,000	\$1.4861 1 10,000	\$1.6667 1 10,000	\$2.1571 1 10,000	\$2.3377 1 10,000
ADDITIONAL RENT	\$12,000.00	\$12,918.00	\$14,487.23	\$20,319.73	\$13,805.31	\$14,861.42	\$16,666.73	\$21,571.37	\$23,376.68

PERCENTAGE INCREASE ON BASE RENT:

ASSUME \$30/SQUARE FOOT	4.00%	4.31%	4.83%	6.77%	4.60%	4.95%	5.56%	7.19%	7.79%
ASSUME \$20/SQUARE FOOT	6.00%	6.46%	7.24%	10.16%	6.90%	7.43%	8.33%	10.79%	11.69%

ASSUME \$15/SQUARE FOOT

	8.00%	8.61%	9.66%	13.55%	9.20%	9.91%	11.11%	14.38%	15.58%
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