

By Amanda Parolise

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Building Program Annual Operating Budget For A Office Space Tenant Retrofit Building Project

For a building program to be successful and sustainable, it is imperative that the program include an operating budget in addition to the construction budget. When it comes to tenants leasing space in a building, the O&M budget is usually budgeted in cost per sq ft and included in the annual lease fee. Fifteen to 20% of the cost of a building is first cost, so at least 80% of the cost to own a building is in the O&M of the building over its lifetime.

The following is a sample of what the HVAC annual O&M budget will be for a tenant with 10,000 sq ft of leased space. Within this cost may be O&M costs for the public space that the building owner may pass on to each tenant as part of their annual fee to be paid to the building owner. It is important to note that quite often commercial building owners will contract the services of a property manager to manage the building. These property managers will most likely subcontract the O&M services of a mechanical-electrical (M-E) outsource firm to provide the following.

Administrative - M-E Outsource Firm Fee		
SALARIES, WAGES & BENEFITS		
• Employee salaries & wages	(1) Manager, part-time	\$ 30,000
• Taxes, health care, etc.		\$ 0
• Retirement & benefits		\$ 0
OUTSOURCED O&M		
• Employee salaries & wages	(0) Supervisor (1) Technician	\$ 40,000
• Taxes, health care, etc.		\$ 0
• Retirement & benefits		\$ 0
SERVICE CONTRACTS		
• Refrigeration equipment	(1) Air-cooled chiller twice a year	\$ 1,800
• Heating equipment	(2) Condensing boiler twice a year	\$ 1,200
• Filters	(4) Central air handling units	\$ 4,000
EXPENSES		
• Education	None	\$ 0
• Conferences	None	\$ 0
• Office supplies	None	\$ 0
UTILITIES		
• Electricity	Shell & core ÷ 200,000 sq ft x 10,000 sq ft.	\$ 15,000
• Electricity	Tenant space	\$ 25,000
• Gas	Shell & core ÷ 200,000 sq ft x 10,000 sq ft.	\$ 7,500
• Oil		\$ 0
• Propane		\$ 0
• District/campus steam		\$ 0
• District/campus chilled water		\$ 0
• District/campus hot water		\$ 0
TOTAL TENANT SPACE ANNUAL O&M COST		\$124,500
TOTAL TENANT SPACE ANNUAL OPERATING COST/SQ FT (Based on 10,000 sq ft of leased space)		\$12.45/Sq Ft