

rDCF Recoveries 101 – The Basics

Objective

- Learn fundamentals of rDCF Recoveries

The Basics

1. Setup a pool in the Recoveries section > Recovery Pools tab
2. Attach to tenant in the Rent Roll section > Rent Roll tab
3. Review calculation – Recovery reports

Key Considerations for your rDCF Recoveries

- rDCF has **two System Named Recoveries** that include all “Expense” Line Items and no gross ups: *NNN and *Base Year. *Base Year uses an Occupancy Year Stop - if the lease commenced prior to the analysis begin date, it uses the first year of expenses within the analysis period as the base year.
- If these system recoveries do not work for your leases, you can **create your own pools** in the Recoveries Section on the Recovery Pool tab
- For basic recoveries, **named recoveries are not necessary**. You can simply create a pool and use it on the Rent Roll tab by selecting Pro Rata Recovery as your Recovery Type on the Rent Roll in the Recovery column.
- In rDCF, you **create a pool in the Recoveries section** on the Recovery Pools tab. The pool identifies (i) the accounts to include in the pool, (ii) the gross-up %, if any, of the account, (iii) whether the account is subject to a Cap or an admin fee, and (iv) what % admin fee to include in the pool total.
- You **assign the pool to tenants on the Rent Roll** where you can also define base years, caps, floors, denominators, etc. that are specific to the tenant.

RECOVERIES SECTION TABS	PURPOSE
I. Recovery Pools	Build a recovery pool from scratch for use directly in the Rent Roll as a Pro Rata Recovery; or use it in a Named Recovery to simplify input for repeated use.
II. Area Measure	Identify Total Property Area, or create custom area measures to use as denominators in your pro rata recovery setup
III. Named Recoveries	(1) Expedite for pro rata recovery entry on the rent roll; (2) means to create a reusable fixed recovery amount or a tenant management fee for use on the Rent Roll.
IV. Recovery Groups (Advanced)	Expedite that allows you to aggregate multiple named recoveries into one group to be attached to a tenant on the rent roll or to a market lease. This is most useful in large retail centers or office buildings in which many tenants share a common set of pro rata recoveries.
V. Tenant Contributions (Advanced)	Primarily a retail concept, this allows you to establish a tenant group (typically anchors) whose recoveries amounts are backed out of other tenants’ (typically inline) pool totals.
VI. Tenant Groups (Advanced)	Create a group of tenants for use in area measures, tenant contributions.
VII. Report Tags (Advanced)	Create tags such as CAM, INS, TAX to label recoveries and tenant contributions. Certain reports can be run to show breakout by Report Tags

RECOVERY REPORTS	DESCRIPTION
I. Recovery Pool Audit	<ul style="list-style-type: none"> ▪ Pool-centric report ▪ Shows the detailed annual calculation of each pool
II. Rent Roll Recovery Input	<ul style="list-style-type: none"> ▪ Tenant-centric ▪ Outlines property rent roll displaying recovery structure for each tenant as set up on the Rent Roll tab
III. Tenant Recovery Audit	<ul style="list-style-type: none"> ▪ Tenant-centric ▪ Displays calculation of tenant’s annual recovery amount for each assigned pool
IV. Tenant Recovery Detail	<ul style="list-style-type: none"> ▪ Pool and tenant centric ▪ One tab for each pool displaying the annual calculated recovery for each tenant that has the pool assigned
V. Full Tenant Detail	<ul style="list-style-type: none"> ▪ Tenant-centric, monthly analysis of multiple variables ▪ This report can be useful for analyzing any portion of a tenant’s cashflow. ▪ For recoveries, the data is aggregated by tenant (no pool details). ▪ Display monthly or annual calculated results ▪ Found in the Tenant Reports section

Additional Resources

Knowledge Base [Recoveries Section](#)


Learning Center: [Beginner Guide](#) Recoveries Section page 42

Retail Recoveries with Tenant Contributions: [Retail Recoveries FAQs Article](#)

How to Create and Attach a Recovery Pool

How to Create a Simple Recovery Pool



Scenario: The tenants in a building reimburse for all operating expenses except property tax and they pay a 95% gross-up on variable expenses. In this case, the system *NNN pool will not work because it includes the property tax expense line item, and it does not gross-up any expenses.

1. Navigate to the Recoveries Section  Recovery Pools tab
2. Use the "+" button or CTRL-SHIFT- "+" to create a new record
3. Assign a pool code and name (*Note: the code must be 20 or fewer characters and should be as descriptive as possible – the code is what you will see in the drop-down on the Rent Roll*)
4. In the Details column, hit Enter to open the Recovery Pools Details view and see all accounts from your Line Items where type = Expense
5. To include an Expense line item in your pool, check the box on the left side of each account record. This will automatically enter "100" in the Percent column (this means that 100% of the expense amount for the line item will be included in the pool). If the Percent column is blank, the account is excluded from the pool.
6. If you have variable expenses to gross-up add the gross-up percentage in the Gross-Up column

← Recovery Pools ▶ Details AllJan95GU Search						
Display	Pool Admin Fee %					
<input checked="" type="radio"/> All <input type="radio"/> Selected	<input type="text"/>					
Selected↑↓	Type↑↓	Item↑↓	Percent↑↓	Gross Up %↑↓	Cap?↑↓	Admin Fee?↑↓
<input checked="" type="checkbox"/>	All	<input type="text"/>				
<input checked="" type="checkbox"/>	Expense	Expense: 51000 - Property Taxes	100		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Expense	Expense: 52000 - Insurance	100		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Expense	Expense: 53000 - Management Fee	100		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Expense	Expense: 54000 - Operating Expense	100		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Expense	Expense: 55000 - Janitorial	100	95	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

How to Attach a Recovery Pool to a Tenant

1. Navigate to the Rent Roll Section and Rent Roll Tab
2. In the Recoveries column, click enter to open the carousel, click on the Pro Rata recovery tab.
3. Select the appropriate pool, pro rata type and %, denominator, stop type and amount, if appropriate. If you have caps, click into the Cap link, and enter cap details.

Kenwood Partners Recovery Count: 1 : Recovery							
Named Recoveries	Recovery Groups	Pro Rata (1)	Amt	Detailed Amt	Tenant Mgmt Fee		
Recovery Pool	Pro Rata Type	Denominator	Pro Rata %	Stop Type	Stop	Report Tag	Cap
AllJan95GU	Natural	*TotalArea	N/A	Amt	700,000		Create  

In the example above, taken from the sample property Cap Rate Tower, Kenwood Partners pays their natural pro rata share of the AllJan95GU pool over a historical base year stop. The stop amount is \$700,000.

For more on the Rent Roll Recovery setup, see the [rDCF Knowledge Base](#).

Recovery Pool Caps

Capped vs Uncapped Expenses in a Recovery Pool

In rDCF, you can create one pool that includes both capped and uncapped expenses – you do not need separate pools.

Scenario A: Tenant 1 pays their pro rata share of all expenses with a cap on controllable expenses (management fee, operating expenses and janitorial).

1. In the Recoveries section > Recovery Pools tab, create a pool as outlined on Page 3 of this guide.
2. Include all expenses at 100%
3. Uncheck the “Cap?” box for Property Taxes and Insurance.
4. Management Fee, Operating Expenses and Janitorial should have the “Cap?” box checked.

Admin Fee note: The same process can be applied if the tenant pays an admin fee on one or all of the expenses. Simply check the corresponding “Admin Fee?” Box and then enter the admin fee % in the “Pool Admin Fee %” cell at the top.

Selected	Type	Item	Percent	Gross Up %	Cap?	Admin Fee?
<input checked="" type="checkbox"/>	All					
<input checked="" type="checkbox"/>	Expense	Expense: 51000 - Property Taxes	100		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Expense	Expense: 52000 - Insurance	100		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Expense	Expense: 53000 - Management Fee	100		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Expense	Expense: 54000 - Operating Expense	100		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Expense	Expense: 55000 - Janitorial	100		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Note: if another tenant in the same property reimburses the same expenses, but their cap does not include the same accounts, you must set up a new pool for that tenant with the correct expense accounts checked and unchecked.

Rent Roll Pro Rata Recovery Setup with Cap on Pool

Scenario B: Tenant 1’s cap on controllable expenses (defined above) is \$4.50 per square foot. The cap will increase annually by 2%

1. Navigate to the Rent Roll Section and Rent Roll Tab
2. In the Recoveries column, click enter to open the carousel, click on the Pro Rata recovery tab.
3. Select the “AllExpCapCtrl” pool (shown above), pro rata type and %, denominator.
4. Click the Create Cap button and enter cap details.
5. Set “Cap On” = Pool, “Cap Type” = /Area/Yr
6. Set “Value” = \$4.50 with “% Increase” = 2

Named Recoveries	Recovery Groups	Pro Rata (1)	Amt	Detailed Amt	Tenant Mgmt Fee		
Recovery Pool	Pro Rata Type	Denominator	Pro Rata %	Stop Type	Stop	Report Tag	Cap
AllExpCapCtrl	Natural	*TotalArea	N/A	None	N/A		Create +

Cap | AllExpCapCtrl Clear X

Cap	Cap Type	Amt	% Increase
<input checked="" type="checkbox"/> Pool <input type="checkbox"/> Recovery	/Area/Yr	4.5	2

You can run the Recovery Pool Audit Report to see the capped versus uncapped pool totals.

Recovery Pool Audit											
Property Name: Cap Rate Tower											
Path: /PSG/Mary Folder/CapRate_Recov101											
Recovery Pool:		All Expenses - Cap on Controllable									
Code:		AllExpCapCtrl									
										Year 1	
Period Begin:										1/1/2024	
Period End:										12/31/2024	
Pool Expenses											
Account Code	Expense Name	Affects Cash Flow	Inclusion %	Gross-Up %	Subject To Cap	Subject To Fee	Expense Amount	Included Amount	Gross-up Occupancy %	Gross-up Adjustment	Pool Amount
51000	Property Taxes	Y	100.00%		N	Y	250,000	250,000			250,000
52000	Insurance	Y	100.00%		N	Y	40,000	40,000			40,000
53000	Management Fee	Y	100.00%		Y	Y	62,634	62,634			62,634
54000	Operating Expense	Y	100.00%		Y	Y	400,000	400,000			400,000
55000	Janitorial	Y	100.00%		Y	Y	20,937	20,937			20,937
Expense Totals							773,571	773,571		0	773,571
Recovery Gross-up Frequency:		Annual									
Capped Expenses											
Subtotal: Pool Capped Expenses											483,571
										Subject to Admin Fee	483,571
Admin Fee											0
Total Capped Expenses											483,571
Uncapped Expenses											
Subtotal: Pool Uncapped Expenses											290,000
										Subject to Admin Fee	290,000
Admin Fee											0
Total Uncapped Expenses											290,000
Pool Total											773,571

To see the tenant's \$4.50 PSF cap applied to the Capped Expenses Pool, run the Tenant Recovery Audit report:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Period Begin:	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032	1/1/2033	1/1/2034
Period End:	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034
Occupancy Days:	366	365	365	365	366	365	365	365	366	365	365
Oxford Company											
Suite:	0200										
Begin:	4/1/2023										
End:	3/31/2029										
Average Occupied Area	20,000	20,000	20,000	20,000	20,000	20,000	0	0	0	0	0
Occupied Months	12	12	12	12	12	3	0	0	0	0	0
Occupied %	100.00%	100.00%	100.00%	100.00%	100.00%	25.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Report Tag: AllExpCapCtrl											
Pro-rata											
All Expenses - Cap on Controllable											
Capped Amount	483,571	512,325	532,968	548,260	565,175	571,872					
Uncapped Amount	290,000	296,200	302,536	309,011	315,628	322,391					
Pool Total	773,571	808,525	835,504	857,271	880,803	894,263					
Cap on Pool	450,000	453,000	463,150	477,544	487,034	496,836					
Reduction for Cap	-33,571	-53,325	-64,788	-70,717	-78,080	-75,036					
Capped Total	740,000	755,200	770,716	786,555	802,723	819,228					
Stop: null	0	0	0	0	0	0					
Total Over Stop	740,000	755,200	770,716	786,555	802,723	819,228					
Tenant Area (Numerator)	20,000	20,000	20,000	20,000	20,000	20,000					
Area Measure (Denominator)	100,000	100,000	100,000	100,000	100,000	100,000					
Pro Rata %	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%					
Annual Tenant Share	148,000	151,040	154,143	157,311	160,545	163,846					
Occupied %	100.00%	100.00%	100.00%	100.00%	100.00%	25.00%					
Tenant Share	148,000	151,040	154,143	157,311	160,545	40,961					
AllExpCapCtrl Total	148,000	151,040	154,143	157,311	160,545	40,961					
Oxford Company Total	148,000	151,040	154,143	157,311	160,545	40,961					
Less: Abatement	0	0	0	0	0	0					
Oxford Company Total	148,000	151,040	154,143	157,311	160,545	40,961					

Rent Roll Pro Rata Recovery Setup with Cap on Recovery

Scenario B (above) requires a Cap on the Pool. A Pool cap applies the cap only to the expenses with the checked “Cap?” box in the Recovery Pool setup. A pool cap is applied before calculating the tenant’s share.

The other option is a Cap on the Recovery. A Recovery cap applies the cap to the tenant’s calculated pro rata share.

Scenario C: Tenant 2 will reimburse its share of all operating expenses not to exceed \$6.00 per square foot with 2% increase annually.

Note: Because Tenant 2 reimburses the same expenses at 100% each, you do not need to create a new pool. The tenant can use Tenant 1’s All-Cap pool. The individually checked Cap boxes will not apply.

1. Navigate to the Rent Roll Section and Rent Roll Tab
2. In the Recoveries column, click enter to open the carousel, click on the Pro Rata recovery tab.
3. Select the “AllExpCapCtrl” pool (shown above), pro rata type and %, denominator.
4. Click the Create Cap button and enter cap details.
5. Set “Cap On” = Recovery, “Cap Type” = /Area/Yr
6. Set “Value” = \$6.00 with “% Increase” = 2

Cap | AllExpCapCtrl Clear X

Cap	Cap Type	Amt	% Increase
<input type="checkbox"/> Pool <input checked="" type="checkbox"/> Recovery	/Area/Yr	6	2

View the Tenant Recovery Audit Report for Tenant 2 to see the cap on recovery which occurs *after* the tenant’s share is calculated. The Recovery Pool Audit report will be the same as Tenant 1’s report shown in Scenario B.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Period Begin:	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032	1/1/2033	1/1/2034
Period End:	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034
Occupancy Days:	366	365	365	365	366	365	365	365	366	365	365
Oxford Company											
Suite:	0200										
Begin:	4/1/2023										
End:	3/31/2029										
Average Occupied Area	20,000	20,000	20,000	20,000	20,000	20,000	0	0	0	0	0
Occupied Months	12	12	12	12	12	3	0	0	0	0	0
Occupied %	100.00%	100.00%	100.00%	100.00%	100.00%	25.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Report Tag: AllExpCapCtrl											
Pro-rata											
All Expenses - Cap on Controllable											
Pool Total	772,726	807,703	834,663	856,411	879,923	894,036					
Stop: null	0	0	0	0	0	0					
Total Over Stop	772,726	807,703	834,663	856,411	879,923	894,036					
Tenant Area (Numerator)	20,000	20,000	20,000	20,000	20,000	20,000					
Area Measure (Denominator)	100,000	100,000	100,000	100,000	100,000	100,000					
Pro Rata %	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%					
Annual Tenant Share	154,545	161,541	166,933	171,282	175,985	178,807					
Cap on Recovery	120,000	122,400	124,848	127,345	129,892	132,490					
Reduction for Cap	-34,545	-39,141	-42,085	-43,937	-46,093	-46,318					
Capped Tenant Share	120,000	122,400	124,848	127,345	129,892	132,490					
Occupied %	100.00%	100.00%	100.00%	100.00%	100.00%	25.00%					
Tenant Share	120,000	122,400	124,848	127,345	129,892	33,122					
AllExpCapCtrl Total	120,000	122,400	124,848	127,345	129,892	33,122					
Oxford Company Total	120,000	122,400	124,848	127,345	129,892	33,122					
Less: Abatement	0	0	0	0	0	0					
Oxford Company Total	120,000	122,400	124,848	127,345	129,892	33,122					

For more information on Recovery Caps, see the Recovery section: [Recovery Pools](#)