Real Estate – Transactions
FI-RE-002
October 8, 2008

LaGOV
Version Draft 1.0
Updated: July 25, 2008
Agenda

- Logistics, Ground Rules & Introduction
- Project Timeline
- Workshop Objectives
- Business Process Review
  - Process overview
  - AS-IS process flow
  - Current system alignment
  - Process improvement opportunities
  - SAP terms glossary
  - SAP concepts & functionality
  - Business process flow
  - Leading practices
  - Enterprise readiness challenges
- Next Steps – Action items
- Questions
Logistics

Before we get started ...
Ground Rules

- Has everybody signed in?
- Everybody participates – blueprint is not a spectator sport
- Silence means agreement
- Focus is key – please turn off cell phones and close laptops
- Challenge existing processes and mindsets
- Offer suggestions and ideas
- Think Enterprise
- Ask questions at any time
- One person at a time please
- Timeliness – returning from break
- Creativity, cooperation, and compromise
Introduction

- **Roles**
  - **Process Analyst and Functional Consultant** – lead and facilitate the discussions and drive design decisions
  - **Documenter** – take detailed notes to support the formal meeting minutes to be sent by the Process Analyst to all participants for review and feedback
  - **Team Members** – provide additional support for process discussions, address key integration touch points
  - **Subject Matter Experts** – advise team members on the detailed business process and participate in the decisions required to design the future state business process

**Round the Room Introductions**
- **Name**
- **Position**
- **Agency**
Project Phases

Five Key Phases

Project Preparation
- Strategy & Approach Defined
- Project Team Training

Business Blueprint
- Business Process Definition
- Development Requirements

Realization
- Development & Unit Testing
- Integration Testing
- End-User Training Materials

Final Preparation
- User Acceptance
- Technical Testing
- End-User Training
- Conversion

Go Live and Support
- Go-Live Support
- Performance Tuning
Project Organization - Functional Teams

**Finance Leads**
Beverly Hodges – Finance Lead  
Drew Thigpen – Finance Lead  
Mary Ramsrud – Consulting Lead

**Logistics Leads**
Belinda Rogers – Logistics Lead  
Jack Ladhur – Logistics Lead  
Brad Denham – Consulting Lead

**Linear Assets Leads**
Mark Suarez – Agile Assets Lead  
Charles Pilson – Consulting Lead

- General Ledger
- Accts Receivable
- Cost Accounting
- Grants Mgt
- Asset Accounting
- Budget Prep
- Real Estate Management

- Accounts Payable
- Cash Management
- Funds Management
- Project Systems

- Grantor

Sue Wheeler  
Peter Tabone
# Blueprint Schedule - Tentative

<table>
<thead>
<tr>
<th>Workshop ID</th>
<th>Process Area</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI-RE-001</td>
<td>Real Estate: Master Data</td>
<td>Sept 23 (Tue)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sept 24 (Wed)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sept 25 (Thu)</td>
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<tr>
<td>FI-RE-002</td>
<td>Real Estate: Transactions</td>
<td>Oct 8 (Wed)</td>
</tr>
<tr>
<td>FI-RE-003</td>
<td>Real Estate: Right-of-Way Parcels</td>
<td>Oct 30 (Thu)</td>
</tr>
<tr>
<td>FI-RE-004</td>
<td>Real Estate: Leasing</td>
<td>Nov 12 (Wed)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nov 13 (Thu)</td>
</tr>
<tr>
<td>FI-RE-005</td>
<td>Real Estate: Validation Session</td>
<td>Dec 3 (Wed)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dec 4 (Thu)</td>
</tr>
</tbody>
</table>
Blueprint Objectives

- **Review and discuss the current or As-Is business processes**
  - Which helps to drive out the *Business requirements*
  - As well as the *integration points* with other processes

- **Define Master Data**
  - Address key integration points
  - Support organizational requirements
  - Consistent and appropriate use of data fields

- **Define Future or To-Be business processes based on:**
  - Best Practices inherent in SAP
  - Intellectual capital from other SAP implementations
  - State business requirements

- **Identify development requirements**
  - Which could result in the need for a form, report, interface, conversion, enhancement, or workflow (FRICE-W)

- Understand and communicate any organizational impacts / Enterprise Readiness challenges
- Gather system security authorizations and district-wide training requirements
Work Session Objectives

Our Goal

To develop a clear and common picture of the capabilities required (of your solution) for managing real estate
Focus on the ‘WHAT’ (requirements) and not on the ‘HOW’ (process realization)
Focus on business process design and true business requirements
Utilize standard SAP functionality wherever possible
Reduce the cost of business by shaping business processes that are enabled by SAP

Our Approach

1. Identify, review, evaluate and prioritize your core “to-be” business processes (within the entire value chain)
2. Determine the functionalities required to support your “to-be” business processes
   - Identify most critical core functionalities
   - Identify integration related functionalities
   - Identify useability expectations
   - Identify “nice-to-have” functionalities
3. Do a Fit-Gap-Analysis related to required functionalities, what’s in standard, what needs to be enhanced etc.

Legacy System / Functionalities

Existing processes are often based and designed on legacy applications and their capabilities – and are not aligned to the overall corporate strategy

It's essential to avoid a 1:1 transfer of legacy functionalities and processes without having a strategy and without reviewing your business processes
“AS IS” …..
As-Is Process Flow

DOTD Real Estate
- Abandonment, Rem., Excess ROW
- RoW Stage Relocation Plan
- Mineral Lease Application
- Mineral Lease Award
- Expropriation
- Title Work
- Relocation, Residential
- Relocation, Non Residential
- Cost Estimation
- Public Sale

Facility Planning – Real Estate
- Lease - 5K+ Sq Ft
- Lease - Term Options
- Lease - Under 5K Sq Ft

Right of Way
- Acquire Property
- Consultant Contracts
- Joint Plan and Review
- Appraisal
# Current Systems Alignment

<table>
<thead>
<tr>
<th>Agency Name</th>
<th>Application Name</th>
<th>Truncated Description</th>
<th>ERP Related Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division of Administration</td>
<td>SLABS - State Land &amp; Buildings System</td>
<td>Tracks State lands, buildings, leased space and building contents.</td>
<td>Asset Management, Facility Management</td>
</tr>
</tbody>
</table>
Process Improvement Opportunities
(Pain Points)

- The aim?
  - To improve the flow of data across the agencies.

- The means?
  - An end-to-end SAP software-based solution.

- The result?
  - Increased visibility, greater productivity, and lower maintenance costs.
.... “TO BE”
At a high level, a set of processes that define a business task in a broad and self-contained manner (i.e. scope clarification and business alignment). Example: Master Data Management

“Set of logically related activities performed to achieve a defined business outcome” (Davenport & Short (1990)) (i.e. process requirements). Example: Business Entity, Building, Land, etc.

An elementary activity performed to complete a business process (i.e. functional requirements). Example: Process Building

REBDBU: Process Building
# Real Estate Solution Map

## Business Scenario Group

<table>
<thead>
<tr>
<th>Workshop 1 – Master Data</th>
<th>Workshop 3 – Right of Way</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Management</td>
<td></td>
</tr>
<tr>
<td>Real Estate Analytics</td>
<td>Master Data Management</td>
</tr>
<tr>
<td>Partner Management</td>
<td>Transaction Management</td>
</tr>
<tr>
<td>Workshop 2 – Transactions</td>
<td></td>
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<tr>
<td>Workshop 4 – Leasing</td>
<td></td>
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<tr>
<td>Commercial Real Estate Management</td>
<td></td>
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<tr>
<td>Real Estate Search</td>
<td>Lease Management</td>
</tr>
<tr>
<td>Condition Adjustment</td>
<td>Percentage Rent</td>
</tr>
<tr>
<td>Cost Recovery</td>
<td>Third Party Management</td>
</tr>
<tr>
<td>Legal Compliance</td>
<td></td>
</tr>
<tr>
<td>Corporate Real Estate Management</td>
<td></td>
</tr>
<tr>
<td>Space Management</td>
<td>Room Reservation</td>
</tr>
<tr>
<td>Move Management</td>
<td></td>
</tr>
</tbody>
</table>

## Integration to Project Systems & Plant Maintenance

<table>
<thead>
<tr>
<th>Facilities Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Modernization &amp; Refurbishment</td>
</tr>
<tr>
<td>Maintenance &amp; Repair</td>
</tr>
<tr>
<td>Service Management</td>
</tr>
</tbody>
</table>

## Integration to Financials & Controlling

<table>
<thead>
<tr>
<th>Support Processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
</tr>
<tr>
<td>Controlling</td>
</tr>
<tr>
<td>Tools</td>
</tr>
<tr>
<td>Integration to SAP Industry Solutions</td>
</tr>
</tbody>
</table>
## Process Overview

### Business Scenario Group

<table>
<thead>
<tr>
<th>Portfolio Management</th>
<th>Real Estate Analytics</th>
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<th>Transaction Management</th>
</tr>
</thead>
</table>

- Business Entity
- Land
- Building
- Architectural Structure
- Rental Objects
- Functional Location
- Equipment
- Fixed Asset
- CAD/CAFM Support
<table>
<thead>
<tr>
<th><strong>Public Web</strong></th>
<th><a href="http://www.sap.com/realestate">http://www.sap.com/realestate</a></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SAP Service Marketplace (log-on required)</strong></td>
<td><a href="http://service.sap.com/re">http://service.sap.com/re</a></td>
</tr>
</tbody>
</table>
| **Training courses: RE010 / RE200** | RE010 Business Processes in SAP Real Estate Management  
RE200 Flexible Real Estate Management (see http://www.sap.com/education) |
| **ASUG: Real Estate Special Interest Groups** | http://www.asug.com |
Designing your Real Estate Lifecycle in SAP

Real Estate Lifecycle

Plan → Acquire → Manage → Operate → Dispose

Workshop 2 - Transactions
## Workshop 1 - RE Master Data

### Workshop 2 - Transactions
Process Overview

Business Scenario Group

<table>
<thead>
<tr>
<th>Portfolio Management</th>
<th>Real Estate Analytics</th>
<th>Master Data Management</th>
<th>Partner Management</th>
<th>Transaction Management</th>
</tr>
</thead>
</table>

- Commercial Real Estate Management
- Lease Management
- Contract Data

Workshop 4 – Leasing

- Purchase Contract
- Asset Acquisition
- Sales Contract
- Asset Retirement
- Property Evaluation
Acquisitions: Events and SAP Solutions

- Negotiations for lease, construction work, or purchase activities (Real Estate (RE), Project Systems (PS), Procurement (MM))
- Portfolio is updated (Real Estate (RE), Asset Management (AA))
- Business stakeholder or Real Estate: We need space / we want to invest / Expansion is necessary (Investment plans (IM))
- Collaboration with internal and/or external stakeholders is required (Workflow, Interactive Forms, cFolders/cProjects)
- Capture all costs during creation process – in case of construction (Create AuC (AA))
- Appropriation Request Submitted and approved investment approval process (IM)
- New Project (Project with WBS hierarchy Created (PS))
- Case Management is necessary to track all steps and ensure due diligence (Store all documents centrally (Records management))
1. New investment is identified
2. Appropriation request is created
3. Investment and budget are approved
4. Acquisition process for new property purchase is triggered
5. Investment costs can be reported vs. investment plan or budget

**Action Item:**

What internal processes *precede* the acquisition of real estate?
Business Processes (Acquisition)

What is it?: Processes for the acquisition of real estate.

Acquisition: New Property Purchased

Acquire

Acquisition: New Property Leased

Acquire
Internal Space Management

### Business Benefits

<table>
<thead>
<tr>
<th>User of Space</th>
<th>Real Estate Manager</th>
<th>Provider of Space</th>
<th>Business Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make better use of available resources, cut costs, and respond quickly to needs</td>
<td>Define framework agreement</td>
<td>Record all contractual details</td>
<td></td>
</tr>
<tr>
<td>Flexible space and room management with integration to CAD/CAFM systems</td>
<td>Perform space &amp; occupancy planning</td>
<td>Efficient date tracking</td>
<td></td>
</tr>
<tr>
<td>Real estate portfolio transparency</td>
<td>Negotiate contract &amp; lease space</td>
<td>Complete overview of payments made &amp; payments due</td>
<td></td>
</tr>
<tr>
<td>Transparent cost allocation</td>
<td>Assign building to real estate portfolio</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Update framework agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contract management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. Investment is approved
2. New property (land, building, structure etc.) is purchased
3. Purchase and asset information is captured in system
4. If required construction / refurbishment takes place
5. Detailed property information is captured and spaces are ready to be leased

**Action Item:**

What internal processes precede the **purchase** of real estate?

**SAP Business Processes:**
Portfolio Management > Master Data Management & Portfolio Management > Business Partner Management

You use these business processes to map master data structures and business partners. It consists of the following steps:

- Create master data for architectural view (optional)
- Create master data for usage view
- Create business partner
Acquisition: New Property Leased

*Action Item:*

What internal processes precede the ***lease-in*** of real estate?

- Decision made to lease new land, structure, and/or space(s)
- Lease is negotiated and signed with the landlord
- Landlord lease and related property captured in the system for ongoing processing
- Property is refurbished/constructed to meet business leasing needs
- Space is ready to be leased to tenants
Business Processes (Disposition)

What is it?:

Processes for the disposition of real estate.

Owned Property Disposal
Dispose

Leased Property Disposal
Dispose
Action Item:

What internal processes precede the sale of real estate?
Leased Property Disposal

- Decision is made to dispose a property
- All lease obligations are analyzed and disposal date determined
- Close-off all sub-leases legal dependencies against the property etc.
- Send notice of intent to the landlord
- Terminate landlord lease
- Vacate property
- Close property records in the system

**Action Item:**

What internal processes precede the termination of a landlord lease for real estate?
Lease Processes in SAP RE-FX

What is it?:

You create real estate contracts to map **contractual relationships** with your business partners.

The **contract type** determines whether the contract is a lease-in (landlord/vendor contract) or a lease-out (tenant/customer contract).

You can create internal real estate contracts, if you are leasing real estate internally to departments in your organization.

It is also possible to create contracts for services, sales or security deposit agreements.
Real Estate Contracts

Summary:

► The **real estate contract** lets you manage **all** contracts related to your real estate portfolio.

► Any number of **rental objects** can be assigned to any **one** contract.

► Contractual relationships are controlled by **contract types**.

*Lease Set-up Is The Foundation For Lease Lifecycle Processes*
Rental Objects (Usage View)

Used to represent the physical property from a leasing perspective.

RE objects can be assigned to a contract to receive distribution costs.

SAP recommendation:
- Rental Objects for all **lease-out** contract types
- Buildings or Land objects for **lease-in** contracts types
Business Partners (Landlord, Owner etc.)

What is it?

- Business Partner can be a
  - person,
  - organization, or
  - group

- Can have **various roles**, depending on the business process involved

- Can have **various relationships** to other business partners

- Can automatically generate a **customer** or **vendor** master record in Financial Accounting
Business Partners - Roles

Continued …

Example:
RE Contract / Lease Processing

**Real Estate Object**

- **Correspondence**
- **ACTIVATE**

**Processes**
- Recurring billing
- One-off billing
- Open items mngmt.
- Invoicing and dunning
- Critical dates mngmt.
- Real Estate Controlling

**RE Contract / Lease**
- Contract Identification
- Term / Notice / Renewal
- Charge Types
- Date Reminders
- Distribution Costs
- Adjustment (of Charge Types)
- Chargeback (CAM)
- Document Management
- Additional User Tabs

**Business Partner**

- Signature
- Date
Contract Types

What is it?

The contract type specifies the **purpose** of a real estate contract.

- lease-in (payable)
- lease-out (receivable)
- own use
- third-party use
- G/L account contract
- service contract
- sales contract
- purchase contract
- security deposit agreements
- etc.

The contract type also controls the **financial posting**.
Contract Types

Landlord (Vendor Contract)
“Commercial Lease-in”

Partner (Vendor Contract)
“Purchase Contract”

Company Uses Services (Vendor Contract)
“Service Contract”

Company Offers Services (Customer Contract)
“Service Contract”

Internal Rent
- Cost Center /
- Order /
- WBS Element
(Internal Contract)
“Internal Lease-in”

External Rent
- Tenant
(Customer Contract)
“Commercial Lease-out”

Partner (Customer Contract)
“Sales Contract”

(GL Account Contract)
Contract Type

Controls FI posting
Many RE Objects Assigned to a Single RE Contract
### Posting Frequency

#### Commercial lease-out 3000/1 Change: Posting Parameters

**Real Estate Contract**: 3000/1

**Lease-out 1st store and parking lot**

<table>
<thead>
<tr>
<th>Del</th>
<th>Term Category Name</th>
<th>No.</th>
<th>Name of Term</th>
<th>Memo</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Postings</td>
<td></td>
<td>&lt;Standard&gt;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Frequency</td>
<td></td>
<td>&lt;Standard&gt;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organizational Assignment</td>
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<td>Business Area 9100</td>
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#### Frequency: <Standard>

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Conditions</th>
<th>Memo</th>
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</thead>
<tbody>
<tr>
<td>Number</td>
<td>&lt;Standard&gt;</td>
<td></td>
</tr>
</tbody>
</table>

**Detail Data**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Pro Rata</th>
<th>Amt Reference</th>
<th>Calc Method</th>
<th>Payment Form</th>
<th>Due Date (+/-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Months</td>
<td>Contract of Months</td>
<td>Cyclic Art Days</td>
<td>30 Days To</td>
<td>In Advance</td>
<td></td>
</tr>
</tbody>
</table>

**Frequency Start**: Start of Calendar Year
**Condition Types (i.e. Charge Types)**

**Action Item:**
Define condition types for purchase / sale contracts?
Integration – Fixed Assets

APC: Acquisition and Production Costs
i.e. you bought it or you built it.
Fixed Assets – Asset Classes / Sub Assets

What is it?

In order to link fixed assets to a building or property, the real estate key (IM Key) will be displayed on the asset master record for assignment to a real estate object. If required, sub assets can also be assigned to a building or property. Users may assign fixed assets to a building or property object through the architectural view.

Asset Class: Real estate indicator = “Real Estate – Property or Buildings”

Activate Account Assignment Objects: In order to receive depreciation postings to a real estate object, the account assignment object “IMKEY” must be activated for both expense and balance sheet postings. The account assignment is then assigned to each company code and depreciation area that has real estate assets.

Define Screen Layout for Asset Master Data: For layouts “1000” and “1100”, the field group “3 – Time-dependent data” should be changed to make “Real Estate Object” a required field. This setting should be made at both the main and sub asset numbers.
Create asset (for building) directly from RE-FX

1. Assign selection opens the display below.
2. Create opens the dialog at left.
3. Additional data opens the standard asset create transaction (AS01).
Double-clicking the Name, document icon, or asset number invokes the standard asset display transaction (AS03) for drilling down to asset details.
Building assigned for depreciation postings
**Process flow for master data creation**

**Question:**
What is the correct time/sequence for setting up a building object and a related asset master record?

**Answer:**
This is a function of the desired business process. One typical approach is to use the following capital purchasing cycle, but there are other valid scenarios.

- Purchase to a capital project in Project System
- Settle project costs periodically to an Asset under Construction in Fixed Assets
- Create RE-relevant capital asset(s) directly from within the project
- Settle project costs to RE-relevant capital asset(s) when ready
- **Separate from the above**, create the building in RE-FX
- Manually link the capital asset(s) from the project to the building
Question:
What is the point of posting depreciation expense to the building?

Answer:

- Using a building as the depreciation receiver supports the analysis of total profitability and TCO at the building level. The building can be represented as a profit center which is designed to allow analysis of profitability for internal areas of responsibility.

- Given the right org structure and business process, it is not a requirement to settle depreciation expense from building objects to cost centers.

- There are other ways to attain this, but this is a very expedient, RE-centric view which is easily understandable.
Asset disposal

Question:

Notification needs to occur when RE objects are disposed; what’s the process for assets?

- Assets can be retired, sold, or transferred.

- There is one **retirement** transaction:
  - ABAVN to retire an asset.
  - If the asset is not fully depreciated, the net book value will be posted in GL as a loss.

- There are two **sale** transactions:
  - F-92 for sale to a trade customer, and
  - ABAON for sale without recognizing a customer.
  - If the sale amount is greater than or less than the asset’s remaining net book value, that difference will be recognized as a gain or loss.

- There are two asset **transfer** transactions:
  - ABUMN for transfer within one company code, or
  - ABT1N for transfer between company codes.
  - The net effect of each is to retire the sending asset and create the new (receiving) asset. There’s an audit trail in place to show the history of the new asset.
Enterprise Readiness Challenges

- Add potential organizational impacts and training impacts
Next Steps

- Prepare and send out meeting minutes to invitees.
- Draft Design Document is prepared.
- Follow up on action items identified during the workshop.
- Schedule off-line meeting(s) to discuss areas of special concern
- Plan follow on workshops, as required.
- Plan validation workshop.
- Ensure all to-do’s are appropriately documented