



EVERYTHING THAT COUNTS

WHAT YOU ALWAYS WANTED TO KNOW ABOUT OPERATING COSTS

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Wohnungsbaugesellschaft
Berlin-Mitte mbH



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There are many benefits in being a resident of the WBM Wohnungsbaugesellschaft Berlin-Mitte mbH housing association. Because our focus is on you. Our series of guides is intended to ensure the quality of life within your own four walls, prevent problems and cut costs. Take advantage of our virtually inexhaustible fund of excellent tips and important advice on home life. And feel comfortable in your home.

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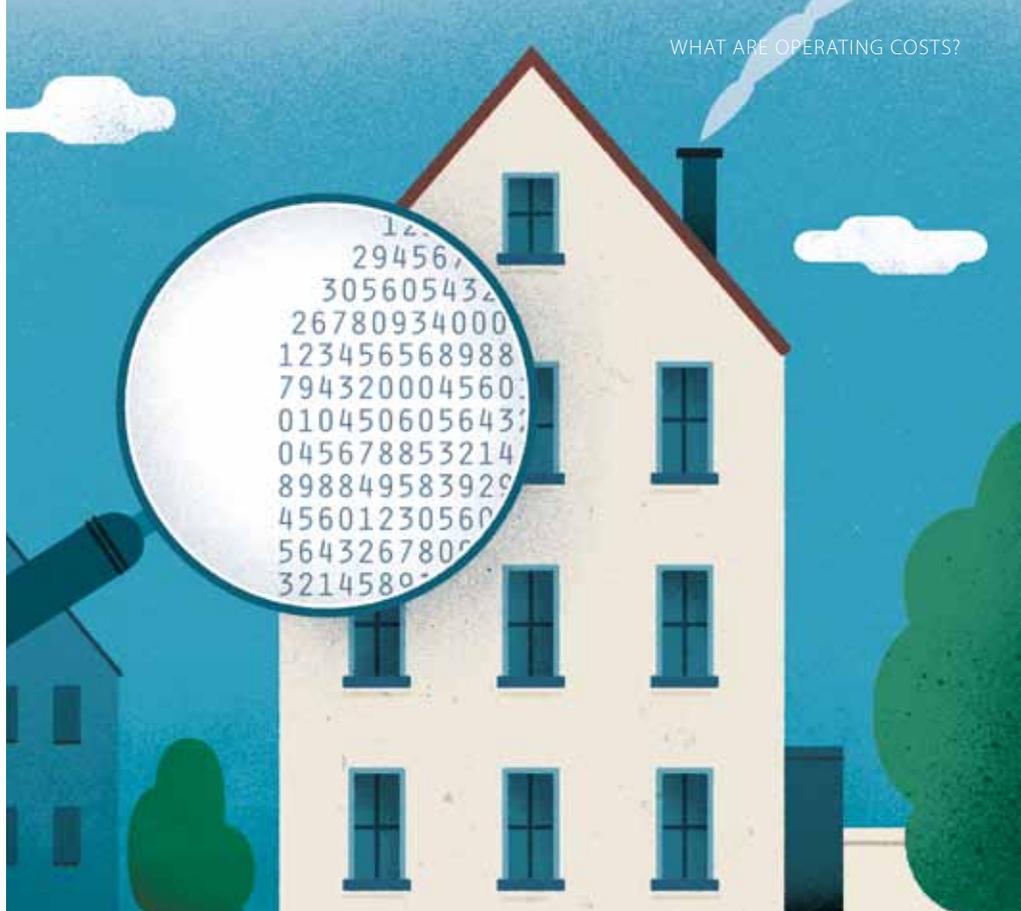
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KNOWING HOW IT WORKS

ALL ABOUT OPERATING COSTS

Today, operating costs make up 38 % of the total accommodation costs on average, which is significantly more than a third. Due to the general cost increases – particularly regarding consumption-related operating costs – the ‘ancillary costs’ are becoming increasingly like a second rent. So it is all the more important to know what you actually pay each month and where one or two euros can be saved.

With our guide, we want to help you to gain a better understanding of the annual operating costs statement. The following explanations of the individual cost types and various terms, such as ‘billing period’ or ‘economic entity’, are intended to shed light on this subject, while increasing the transparency of our statements. Unfortunately, we have no direct influence on most of the cost items. However, as a large lessor, we act in your interests by comparing different offers, selecting those with the best quality and value for money and, wherever possible, negotiating with the suppliers for special conditions.



By definition, operating costs are the costs which the owner incurs on an ongoing basis due to ownership of a property, or due to normal use of the property, the building or an economic entity with adjacent buildings, facilities and installations.

Operating costs do not include the following: administration costs, supervisory costs, the value of administrative work performed by the lessor, the costs of the annual audit and management costs. Likewise, the costs of maintenance and repair work and general upkeep

incurred during the usage period, such as properly rectifying structural or other defects caused by wear and tear, ageing or weather, are also not included in the operating costs. Operating costs are regulated in the German Civil Code (BGB), the German Operating Costs Ordinance (BetrKV) and, last but not least, the lease.



YOU CAN COUNT ON IT

OPERATING COSTS STATEMENT

The operating costs statement must be clearly laid out and should be comprehensible for everyone.

The law requires that at least the following information be included:

- The composition of the total costs
- Specification and explanation of the method of allocation
- Calculation of the tenant's share
- Deduction of the tenant's advance payments

BILLING PERIOD

The billing period is generally 12 months. Increasingly it coincides with the respective calendar year, but this is not necessarily the case. The statement which you receive during the year always refers to a period which has already passed. The billing period is defined by the lessor and must be specified precisely – e.g. from 01/09/2014 to 31/08/2015.

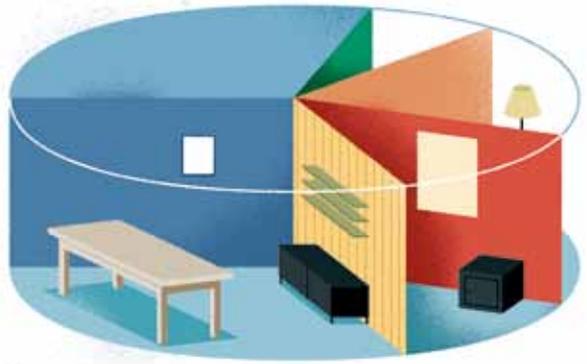
The operating costs statement must be sent to the tenant within a year after the end of the billing period. For instance, for the billing period 01/09/2014 to 31/08/2015, the statement deadline is 31/08/2016. In the statement, all applicable cost items are listed in detail and offset against advance payments made.

ADVANCE PAYMENTS

The name is self-explanatory: advance payments are payments for the accruing operating costs, paid in advance in the form of an appropriate monthly sum. This makes sense and is beneficial for both parties – the tenant and the lessor. The advance payments protect the tenant from having to make high back-payments and enable the lessor to pay the running costs.

Generally, the level of the advance payments on operating costs is first stipulated upon the signing of the lease. However, the lessor is entitled to increase the advance payments for future periods without the consent of the tenant, but only within reasonable limits and with good reason. Examples of legitimate reasons include higher consumption in the previous year, price increases, or changes in the suppliers' rates.

'Within reasonable limits' means that the advance payments may neither be set too high (effectively constituting a loan to the lessor) nor too low (entailing the risk of an unmanageable back-payment).

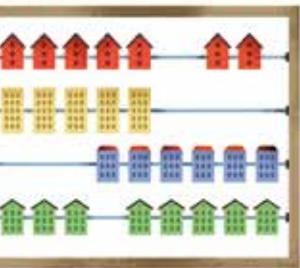


BILLING UNIT

In billing for operating costs, several houses or properties can be combined as a single economic entity. The applicable total costs are proportionately allocated to the individual tenants according to the contractual agreements. An economic entity can consist of buildings that are jointly administered, or of buildings that are directly adjacent and there is no significant difference in the kind of usage or the facilities offered.

A billing unit can encompass several economic entities, but can also be smaller than an economic entity - for example, a billing unit can refer to a group of tenants. Thus, heating stations can supply several economic entities, or only specific groups of tenants within an economic entity. In turn, properties often encompass several economic entities. Here, the billing unit (such as the costs of tending the garden, of playground maintenance or the

street cleaning fees) refers to the property. The operating costs statement specifies the billing unit to which the respective flat belongs.



ALLOCATION OF OPERATING COSTS

Operating costs are allocated to the tenants proportionately. In order to guarantee that this is as fair as possible, different allocation systems are used, depending on the cost type and on the usage of the leased area. How the costs are allocated to the individual tenants is largely stipulated in the lease.

Depending on the cost type, allocation is based on the size of the living area or the number of flats. Usually, costs are allocated according to the size of the flat. In precise terms, this means that your share is calculated by multiplying the costs for one square metre of the total usable floor area by the size of the individual flat in square metres. A different method is used, for example, for cable television costs. These are not related to the size of the flat and are divided amongst all flats equally. However, costs based on measured consumption must be allocated according to consumption.

A HOT TOPIC: OPERATING COSTS WHICH INCLUDE HEATING

If the operating costs include heating, then all costs incurred in relation to the supply of heat and the heating of water are billable, including the costs of operating the central heating system. The water consumption itself is not included. The calculation and allocation of operating costs which include heating are prescribed in the German Heating Costs Ordinance (HKVO).

Accordingly, the costs are allocated on the basis of a specified relationship between the size of the living area and individual consumption. The maximum allocation ratio (of consumption to size of living area) is 70:30 and the minimum is 50:50. In order to enable the fairest possible cost allocation, it is increasingly becoming standard practice to allocate 70 % according to consumption and 30 % according to the size of the living area. Each tenant's individual consumption is determined by heat cost allocators. However, the readings say nothing about the actual

amount of heat consumed and instead show only the individual radiators' proportional consumption in relation to the house's total consumption.

Hot water consumption is determined with the aid of a hot water meter in the flat. Here, in accordance with the German Heating Costs Ordinance (HKVO), only the costs of water heating are calculated. In addition to this, the costs of cleaning and maintenance of the water heating systems are also included in the hot water costs.

If the flat has a cold water meter, the water costs are not calculated proportionately according to living area, but are instead based entirely on consumption. The hot and cold water meter readings define the respective share of the total water consumption for the billing unit and of course also the same proportion of the applicable amount of waste water.



SAVINGS CAN BE MADE, ESPECIALLY ON HEATING AND HOT WATER COSTS

- *Uniform heating saves costs. If heating systems are turned down too far or switched off at night or during periods of absence, this causes cooling. Re-heating then becomes significantly more cost-intensive and expensive.*
- *Overheated rooms are unhealthy, as well as expensive. Lowering the temperature by just 1 degree can save up to 6 % of the heating costs.*
- *Intensive airing for short periods is better than permanent ventilation: open the windows wide at least twice a day and air the rooms for around five to ten minutes. However, if you leave the window permanently ajar, you are simply allowing heat from the heating system to escape straight through it.*
- *For cooking, washing your hands, or rinsing vegetables, cold water will often suffice – do not always reach straight for the hot water tap.*

a

OPERATING COSTS FROM A TO Z



b



g



h

m



w



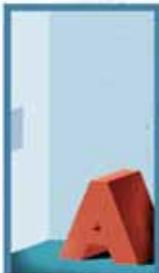
EVERYTHING YOU NEED TO KNOW

An overview of all types of operating costs

Your annual statement lists a total of 17 types of operating costs.

LIFT COSTS

Firstly, lift costs have to be borne by all tenants in the house. Even the tenants on the ground floor have to pay their share, regardless of how often they use the lift. However, in some cases the local circumstances allow the lessor to relieve the ground-floor tenants of their share of the costs. The lift costs include the costs of the following: electricity, supervision, usage, surveillance, cleaning and maintenance of the system, as well as regular inspections to verify operational readiness and operational safety, and adjustments to the system, as carried out by a technician. The lessor commissions specialist companies to carry out maintenance and repairs and to check the emergency system. Each year, lift systems must be inspected by an approved inspection body (CYS). The lessor covers any maintenance costs which arise.



Aufzug

LIGHTING

This item includes the costs of electricity for exterior lighting and lighting of areas used jointly, such as house entrances, hallways, stairs, cellars, attics and laundry rooms. This also includes the lighting costs for house number signs, footpaths, access driveways, open outdoor spaces and courtyards, as well as emergency power lighting and safety lighting. However, the costs of light bulbs and illuminants are not included.



Beleuchtung

If companies use electricity from the house's power supply for construction work, the resulting costs are not included in the operating costs statement.

TENDING THE GARDEN

This includes the costs of tending all green areas, the pruning of trees and shrubs and the replacement of plants and copses. It also covers care and maintenance of playgrounds, including cleaning and replacement of playground sand, as well as the maintenance of open outdoor spaces, entrances and access driveways.

The scope and costs are primarily determined by the size of the area and the type and



Grünpflege

amount of vegetation. If green areas cannot be maintained due to construction work, the costs of tending the garden decrease.

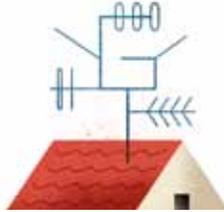
BUILDING CLEANING AND PEST CONTROL

This item includes the costs for the parts of the building used jointly by the tenants. A cleaning company is usually commissioned to provide building cleaning. The contracts cover regular cleaning of the stairwell, the refuse rooms on each floor and the lift. They also include annual basic cleaning and regular window cleaning in hallways and stairwells. If it becomes necessary to carry out cleaning work more often in a building, the costs rise accordingly. It becomes even more expensive if unusual soiling, such as faeces, dog excrement or graffiti has to be removed. Thus, those who pay attention to cleanliness in their building save on unnecessary cleaning costs. The building cleaning costs also include expenditure on regular pest control, which is usually listed separately in the operating costs statement. However, pest control in individual flats is generally paid for by the culprit (i.e., the tenant) in question.

SHARED ANTENNA AND CABLE FEES

These costs are incurred by the operation of a shared antenna installation or the provision of multimedia content via cable. They

include the costs of the electricity required for operation, as well as regular inspections to verify operational readiness and adjustments as carried out by a technician, and are charged as a fee.



Gemeinschaftsantenne

PROPERTY TAX

The tax office charges tax on all real estate property. The property tax goes to the local municipal authority. The level of property tax for properties with residential buildings is based on three factors:

1. The assessed value

This is calculated according to the living area and usable floor area in square metres, the building class, year of construction, building fittings and type of funding (public funds or free financing), among other things.

2. The basic tax amount

The tax office issues a notice of property tax assessment, which forms the basis for the calculation of tax.

3. The local property tax rate

This is set by the local municipal authority. In Berlin, this is currently 810 % of the basic tax amount for properties with residential buildings.

Since the property tax is higher for businesses than for living space, when buildings are used for mixed purposes, the proportion which applies to the areas used commercially is separated from the property tax for the living areas.

The tax office is entitled to demand property tax retroactively, up to 5 years after the fact. Thus, tenants may be faced with demands for back payments, even if the operating costs for the years in question have already been settled.



Hauswart

CARETAKER COSTS

The costs of an in-house caretaker include wages, social insurance contributions and other services, such as the provision of work clothes. Only a portion of the costs of an in-house or externally commissioned caretaker

are allocated as operating costs, because these costs also include administration costs and/or minor maintenance costs. The type and scale of such costs can vary from house to house.

Operating costs are to be paid for the following activities:

- Cleaning of the refuse room or rubbish bin areas
- Separating bulky waste and ensuring its disposal
- Maintenance of stairwell lighting
- Inspection and functional testing of fire safety devices
- Regular inspection of all building services equipment, such as the water supply, electricity supply, lighting, lift, master key system and cable installation, as well as carrying out minor maintenance work
- Inspection of the heating station: checking the heating curve and the functioning of pumps, stop valves, etc.
- Ensuring or initiating safety measures, such as keeping escape routes clear
- Cleaning of the fire escape area, the entrance area and the lifts, as required (in addition to work carried out by the cleaning company)
- Cleaning of the building's immediate surroundings, e.g., cleaning the areas outside main exits and emergency exits
- Removal of paper and rubbish from green areas
- Recording and forwarding of meter readings for electricity, water and heat

HEATING AND HOT WATER PROVISION

If the lessor provides central heating and a centralised supply of hot water for the flat, this cost item appears on the statement. The energy supplied is used in the heating system for room heating and water heating. A heating station can supply part of an economic entity, or one or more economic entities.



Heizung und Warmwasser

The heating and hot water costs are generally calculated by a meter reading service and billing provider, commissioned by the lessor.

The costs of heating and hot water comprise the following:

- Energy costs for heating and hot water provision, calculated according to the amount of energy supplied, multiplied by the applicable rate per heat unit, plus the base rate for the contractual service to be provided, or a meter base rate
- Costs of operation, monitoring and maintenance of the heating and hot water provision system
- Costs of the regular inspections to verify operational readiness and operational safety, including adjustments as carried out by a technician

- Costs of hiring heat cost allocators, heat volume meters and hot water meters
- Costs of calculating and apportioning consumption, e.g., meter reading fees for the calculation and allocation of the heating and hot water costs – in this regard, the provisions of the German Heating Costs Ordinance (HKVO) apply.

CABLE TELEVISION

Monthly costs of the provision of the cable connection, the fee for signal delivery and the costs of regular maintenance of the system on the part of a specialist company are charged for. The maintenance costs are agreed at a fixed price for each reception point. The costs of the cable connection and signal delivery are priced individually according to the housing complex and the number of recipients per reception point, and are billed separately for each flat.

If the tenant enters into a special contract with a cable network operator, billing is no longer carried out by the owner of the flat.

Kabelfernsehen





WASTE DISPOSAL

The costs of waste disposal constitute about 6 % of the operating costs, so are by no means insignificant.

The costs of waste disposal include a number of items:

- Fees from BSR, Berlin's public cleansing service, for the disposal of unsorted household waste and the removal of organic waste
- Costs of the removal of recyclable materials
- Costs of the disposal of bulky waste
- Costs of waste management services
- Costs of operating waste compactors, rubbish chutes and waste suction units
- Costs of operating waste management systems (including the costs of calculation and allocation)

IT PAYS TO SORT WASTE

If this is done consistently, the euros saved soon add up, as it costs more to empty the grey bin for household waste than the brown organic waste bins or the blue paper bins.

The emptying of the recycling bins (Wertstofftonne) and of the containers for glass is free of charge. However, the content of these bins should be properly sorted, otherwise additional costs are incurred.

UNSORTED HOUSEHOLD WASTE

The costs of the disposal of household waste on the part of BSR and other disposal companies depend on the applicable fees, as well as the quantity and size of the bins used. The lower the amount of unsorted waste, the lower the costs. This is because the disposal of unsorted household waste is more expensive than the removal of organic waste and recyclable materials.

ORGANIC WASTE

According to Berlin's Waste Disposal Law, all Berlin residences must have organic waste bins or provide evidence that composting can occur on site. Due to the low disposal costs for organic waste, separating this waste can entail considerable savings. However, only compostable waste belongs in the organic waste bin – such as food waste, orange peel, potato skins, coffee filters and wilted flowers. Plastic bags are not to be placed in the organic waste bin.

RECYCLABLE MATERIALS – PAPER, GLASS AND SHEET METAL

The fees for emptying of the blue bins for waste paper and cardboard packaging are considerably lower than the costs of household waste disposal.

The bin for specific recyclable materials (Wertstofftonne) has been in use since 2013.

This bin is used for disposing of packaging or other waste materials made of

- plastic, e.g., plastic cups, plastic bottles, everyday objects such as watering cans or toys, plastic foil, plastic sheeting, styrofoam;
- metal, e.g., saucepans, tools, cutlery, nuts, bolts and screws, aluminium foil;
- packaging made of composite materials, such as drink cartons, vacuum packaging for coffee.

The following objects and materials are not to be placed in the recycling bin:

- electrical appliances, energy-saving light bulbs, batteries, textiles and clothing, data storage devices, wooden objects.



Sperrmüll

BULKY WASTE

Bulky waste is a constant source of annoyance, for tenants and lessors alike. Discarded furniture and defective household

appliances do not belong in hallways, cellar corridors or beside rubbish bins. As it is generally not possible to determine from whose flat the waste originated, the costs of disposal are distributed among all tenants in the building. This is legally quite correct, as the bulky waste costs arise regularly in the course of proper management of the property and thus rightly belong to the operating costs.

Each tenant is personally responsible for correct disposal of bulky waste. BSR operates several recycling centres in Berlin. Here, up to two cubic metres of bulky waste can be disposed of each day at no cost and old electrical devices or car batteries can also be disposed of, free of charge.

Anyone can also have their bulky waste collected by BSR; however, this incurs a fee, which is currently 50 euros for the disposal of a maximum of 5 cubic metres of bulky waste. Each additional cubic metre costs 10 euros.

Those who wish to get rid of their bulky waste rapidly can order an express removal, which costs 48 euros per cubic metre.

Details can be obtained by calling the BSR service number **7592-4900** and a wealth of information about waste can be found at www.bsr.de.

PROPERTY INSURANCE AND LIABILITY INSURANCE

This includes the costs of insuring the building against fire, storm, water damage and miscellaneous natural hazards, as well as glazing insurance and liability insurance for the building, the oil tank and the lift.



Schornstein

CHIMNEY CLEANING

The chimney cleaning costs include the fees for regular inspections (including immission control measurements)

carried out either by the authorized municipal chimneysweep, as stipulated in the Berlin Sweeping and Inspection Ordinance, or by a private company commissioned to do the work.

MISCELLANEOUS OPERATING COSTS

Where applicable, this item includes all operating costs which do not fall under one of the other items - for example, inspection and maintenance of ventilation systems, smoke and heat extraction systems, risers, backflush filters, emergency lighting and battery systems, automatic door systems, fire doors, fire-fighting equipment and pressure boosting systems, fire detection and alarm systems, emergency power supplies, lightning protection systems, as well as maintenance and inspections of drinking water supply systems, in accordance with the stipulated statutory cycles.

The time spans for carrying out the individual tasks vary greatly – this work may have to be carried out on a quarterly basis, or only once every two or three years. This explains why different sums appear under this item from year to year. Generally, this item only includes services which were provided in the respecti-

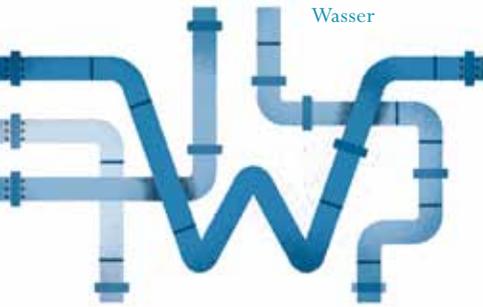
ve operating costs billing year and for which bills have been submitted.

STREET CLEANING

The fees for the cleaning of public streets are collected by BSR. They are calculated according to the fees for the respective cleaning categories and the size of the real estate properties with street frontage and the partial properties behind them.

The lessor has no influence on the classification (and thus the costs), because the classification into the various cleaning categories is defined by the city's street cleaning directory. Even if the street is not cleaned for a certain period, or not cleaned at all, the lessor or owner cannot reduce the billed sum.

The item 'street cleaning' also includes winter services. In the event of ice and snow, every property owner is obliged to clear the paths which belong to the property.



WATER SUPPLY AND DRAINAGE

Water consumption costs are a key component. The water costs also encompass water meter hire fees, the costs of calibrating these meters, the costs of operation and maintenance of water volume meters and the operation of the in-house water supply and water treatment system, including the treatment substances.

For drainage, the company Berliner Wasserbetriebe charges for precisely the amount consumed. This item also includes the fees for

water drainage from the building and the site, and the costs of operating a corresponding system and a drainage pump.

LAUNDRY

The costs of the operation of laundry facilities do not appear in all statements. Anyone who uses a communal washing machine in the building pays for the electricity, the costs of surveillance, maintenance and cleaning of the facilities, as well as for regular inspections to verify operational readiness and operational safety, and the water supply costs.



ANY MORE QUESTIONS?

DOES THE TENANT HAVE TO ALLOW THE BILLING PROVIDER TO ENTER THE FLAT IN ORDER TO READ THE METERS?

Yes, the meter reader must be allowed to enter the flat. The appointment is announced 10 to 14 days in advance. If the meter reader comes twice without gaining access, this can only result either in an unfavourable estimate of consumption, or arrangement of a third appointment, for which the tenant will have to pay.

WHAT IS THE DEADLINE FOR SETTLING MY BACK PAYMENT OF OPERATING COSTS?

In general, tenants must check and settle the statement within a specified deadline, which is usually 30 days. Anyone who has doubts as to whether the statement is correct can either pay subject to a proviso, or must submit an objection in writing within one year.



CAN THE TENANT COMPLAIN DIRECTLY TO THE METER READING SERVICE AND BILLING PROVIDER ABOUT THE STATEMENT?

No, complaints and queries related to the billing are generally to be directed to the lessor, because the lessor is the contractual partner.

IS THE HEATING CONSUMPTION IN JOINTLY USED AREAS ALSO MEASURED?

No, consumption in these areas is not measured. Instead, it is included in the building's total consumption and allocated to the tenants.

ARE OPERATING COSTS TAX-DEDUCTIBLE?

Yes, although not entirely. Some of the costs allocated in the operating costs statement can be claimed by the tenant as tax deductions in accordance with §35a EStG (German Income Tax Act). Tax benefits apply for services provided by tradespeople – e.g. repairs, renovation and maintenance work – and household-related services. These include cleaning, caretaker work and tending the garden. However, only the actual labour costs and the travel costs are tax-deductible – the costs of materials are not.

The operating costs statement includes separate verification of the applicable household-related services, which can be submitted along with the annual income tax statement.

AND WHO PAYS IF THE PROPERTY IS VACANT?

If flats or commercial premises are vacant, the operating costs which they incur are to be covered by the lessor. It is not permissible for the operating costs of the vacant flats or commercial premises to be passed onto the tenants of the remaining occupied flats.

If the operating and heating costs are billed according to the proportion of the total living area, the lessor is not entitled to subtract the area of the vacant flats and premises from the total area.

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