



CHAPTER 2:

New or Replacing Lease

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The New or Replacing Lease Process

A new or replacing lease calls into play all aspects of the leasing process, from acquisition planning to post-award tenant improvements and occupancy.

It is important to understand the three main categories of leases that PBS executes.

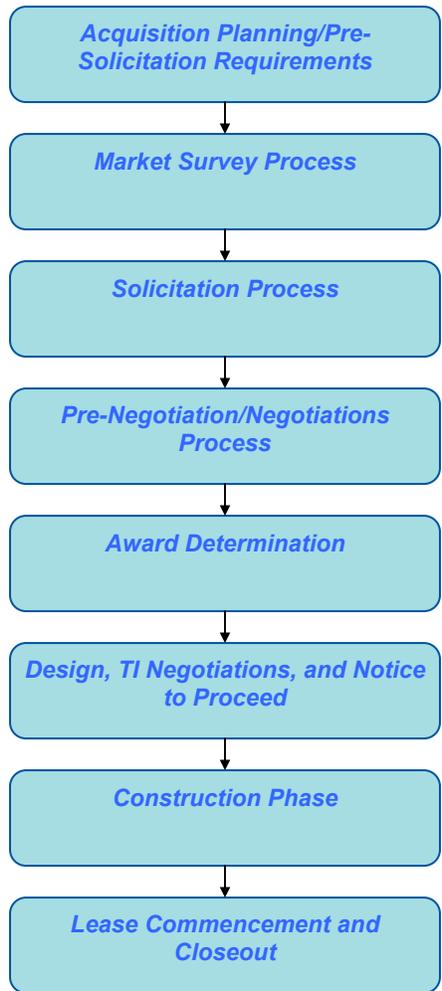
- **New or replacing leases** are defined as leases with new terms and conditions and new lease contract numbers, applicable for either a new requirement or to replace an existing expiring lease.
- **Succeeding leases** are defined as non-competitive (sole-source) lease acquisitions secured to cover continued occupancy of the current premises at the end of a lease term without a break in continuous tenancy. . They establish new terms and conditions and have a new lease contract number. Such a lease would generally be used where acceptable new locations are not identified, or where acceptable locations are identified but a cost-benefit analysis indicates that award to an offeror other than the current Lessor will result in substantial relocation costs or duplication of costs to the Government, and the Government cannot expect to recover such costs through competition.
- **Superseding leases** are defined as new leases that replace an existing lease **before expiration**. It is procured following non-competitive sole-source procedures. They establish new terms and conditions and have a new lease contract number. The Government considers executing a superseding lease to replace an existing lease when the Government needs numerous or detailed modifications to a space that would cause complications or substantially change the existing lease, or where better terms are available in a market.

This chapter describes the procedures, techniques, instructions, and guidelines governing the acquisition of leased space. Readers will gain an understanding of when a new or replacing lease is advisable or required, as compared to succeeding or superseding leases, extensions, responses to holdovers, and other lease processes. Note that leases whose value is less than the simplified lease acquisition threshold (SLAT) may be handled by the simplified process discussed in Chapter 3. Also note that the process and requirements for handling a lease under the National Broker Contract (NBC) are briefly discussed in Chapter 16, National Broker Contract Leases.

The space requirements addressed in Chapter 1, Requirements Development, should be completed or being refined before starting this process.

As the diagram below illustrates, the general process for a new or replacing lease involves six major stages. This chapter discusses each one. It is important to understand that these stages are simplified labels of convenience for distinct groups of related activities. In actual practice, these steps are not perfectly separate and linear—it is not uncommon for some activities of one stage to extend into one or more subsequent stages and to require concurrent effort on several simultaneous responsibilities. (CTRL+click on a topic title in the diagram to go to that part of this chapter.)

New or Replacing Lease—Process View



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1. Overview

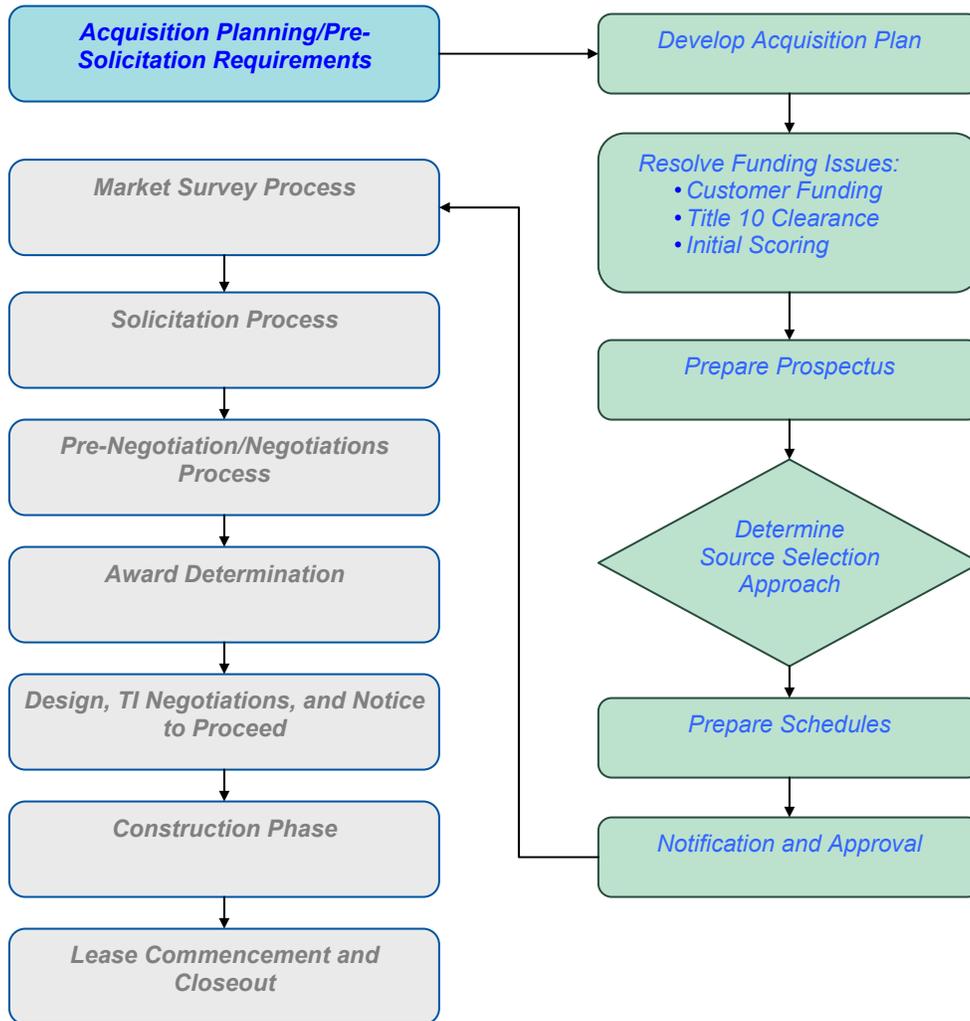
This part describes the elements of acquisition planning that establish the proper groundwork and strategy for a lease. It defines acquisition planning and identifies significant components and steps in the acquisition planning process, including the following:

- Developing the acquisition plan, with consideration for promoting full and open competition, or preparing justifications for other than full and open competition;
- A preliminary cost estimate;
- Funding issues, such as ascertaining customer funding and budget scoring;
- Preparing a lease prospectus as necessary;
- Verifying Title 10 clearance for leases to the armed services;
- Determining the acquisition approach; and
- Managing the lease action in eLease and STAR.

A number of the activities at this stage must proceed concurrently, rather than in a linear sequence.

The following illustration shows the major steps in lease acquisition planning and pre-solicitation preparation. Each step label is linked to the section that discusses the topic.

Acquisition Planning/Pre-Solicitation Process



2. System Requirements

The use of eLease is mandatory for managing all lease actions, including projects resulting in new leases, projects resulting in a modification to an existing lease, and lease administration actions.

The eLease system breaks the leasing process down in to the following phases:

1. Requirements
2. Pre-Solicitation

3. Acquisition
4. Build-out
5. Occupancy

The processes under each phase require you to perform certain tasks in eLease, some of which require updating STAR. Some of the documents uploaded or scanned in eLease can be a source of documents in the Rent Bill Management Communication Tool accessible through the PBS Portal at <http://pbsportal.pbs.gsa.gov>. See the eLease Phases and Tasks document.

3. Components of Acquisition Planning

a. Acquisition Planning Defined

In general terms, acquisition planning is the process of coordinating the activities of people involved in acquiring an interest in real estate to make the acquisition timely and cost-effective. It includes developing the overall strategy for managing the acquisition. It may also address how to dispose of an asset when it is no longer needed.

Applicable Laws and Regulations

The core components of acquisition planning are defined in the FAR. Though the FAR does not fully apply to leasing, GSA has adopted several components of the FAR as a matter of policy in the General Services Acquisition Regulation (GSAR) Part 570, including the FAR parts related to Acquisition Planning.

Acquisition Planning for PBS Leasing

In the context of PBS leasing, acquisition planning entails considering what to acquire (the type and amount of space), how to acquire it (lowest cost or best-value tradeoff), the type of acquisition (full and open competition or sole source), the type of lease action to employ, and when the space must be available. Such planning is important for obtaining sufficient suitable space when the client agency needs it, and at a reasonable economical cost.

Early planning is critical. Acquisition planning activities should begin as soon as a client agency's need is identified, including initial exploration of the agency's needs and consideration of the most advantageous acquisition approach.

b. Acquisition Plan Development

All leases, regardless of dollar value, require acquisition planning. Leases over the SLAT link (to chapter 3 when completed) must have a written acquisition plan approved at the appropriate level (see table "[Thresholds and Approving Officials](#)"). Documents produced during acquisition plan development must be included in Lease File Tab II-C, "Acquisition Plan," and, if applicable, Tab II-D, "Justification for Other Than Full and Open Competition."

For leases whose values are less than the SLAT, the region has the flexibility to determine the level of approval and the format for these acquisition plans.



An acquisition plan must include at a minimum the elements identified in FAR 7.105, “Contents of Written Acquisition Plans” (at https://www.acquisition.gov/comp/seven_steps/library/FAR7-105.pdf), as well as parts 7.106, “Additional requirements for major systems” and 7.107, “Additional parts for acquisitions involving bundling” if applicable. (Where a particular element is not applicable, state so.)

The following table provides dollar value thresholds and responsible official levels for approving and waiving written plans.

Thresholds and Approving Officials

Threshold (Including All Options)	Approving Official
Below the SLAT defined in GSAM Part 570.102 (currently \$100,000 average net annual rent)	Lease Contracting Officer
From SLAT up to and including \$5.5 million	One level above Lease Contracting Officer
Over \$5.5 million up to and including \$20 million	Contracting Director/Real Estate Director
Over \$20 million up to and including \$50 million	Regional Commissioner or Deputy Regional Commissioner
Over \$50 million	Head of Contracting Activity (HCA)
Any dollar value acquisition that is complex, critical to agency strategic objectives and mission, highly visible, or politically sensitive	Head of Contracting Activity (HCA)

The acquisition plan is not meant to be a progressive document that requires updating for every change in schedule. However, the plan should be revised and re-approved under the following circumstances

- There is a material change in acquisition strategy, including but not limited to a change from a lowest price technically acceptable procurement to a best-value tradeoff or a significant expansion or contraction of delineated area.
- There is a change that affects total contract value, and therefore adds additional concurrences and a higher level of approval. (This would require new approval but not necessarily a revision to other parts of the plan.)

Note that SLAT thresholds are Net Annual rents while other thresholds may be aggregate rent over the term.

Acquisition plan template (add link to existing template). To facilitate compliance, a sample acquisition plan template is included in Appendix C. This template should be used as the basis for all lease acquisition plans in excess of SLAT, no matter the size or dollar value and tailored to particular procurements when managing lease projects. The template is not restricted to the amount of space provided for input on the template, so use as much space as necessary to clearly explain the decision-making process that went into the formulation of the plan.

The requirement for a written acquisition plan may be waived in cases of unusual and compelling urgency.¹ The Regional Commissioners/Assistant Regional Commissioners or a designee can also waive the requirement if he or she determines the region has a mechanism in place that

¹ [GSA Order OGP 2800.1, Acquisition Planning](#).

includes the minimum elements. (The region may determine the type of mechanism.) STAR does not qualify, as it does not provide the level of detail required.

When the requirement for a written plan is waived, an oral acquisition plan must be prepared and approved. A written summary of the oral plan must be prepared, including the name of the approving official and the nature of the urgency involved. The written summary may be prepared after award.

Full and Open Competition

There are two basic types of acquisitions: full and open, and other than full and open.

“Full and open competition” means that all responsible sources are permitted to compete. The Leasing Specialist must promote full and open competition in leasing, except under certain circumstances as outlined under FAR 6.302 in accordance with the Competition in Contracting Act (CICA) (41 U.S.C. §§ 251, et seq.). Unless the Lease Contracting Officer uses the SLAT procedures in Chapter 3 of this desk guide, the requirements for full and open competition stated in CICA and this chapter apply.

In particular those requirements include:

- Following advertising and publicizing practices necessary to promote competition for the location, type, and amount of space; and
- Using restrictive provisions or conditions only to the extent necessary to satisfy the client agency’s needs or as authorized by law.

The critical question for determining whether competitive procedures were used is whether all offerors were given an opportunity to submit offers—that is, the procurement was known to the public, and solicitations were available to all interested offerors. Therefore, a procurement may be considered full and open if adequate public notice and opportunity to express an interest were given, yet only one potential offeror receives a solicitation and/or only one offer is received, even if the only offer is from the existing Lessor.

Other Than Full and Open Competition

In accordance with the FAR Part 6, Lease Contracting Officers must not begin negotiations for a sole source contract, commence negotiations for a contract resulting from an unsolicited proposal, or award any other contract without providing for full and open competition unless they do all of the following:

- Justify the use of such actions in writing in accordance with one of the exceptions.
- Certify the accuracy and completeness of the justification.

Obtain the appropriate approvals. Approval levels increase based upon the total lease contract value, including all renewal options (see FAR 6.304, GSAM 502.1, and GSAM 506.

- These justifications must be published in [FedBizOpps](#) within 14 days after lease award. FedBizOpps website’s Frequently Asked Questions (FAQs) webpage provides guidance on how to search for documents and upload OTFO documents (which are referred to the Fedbizopps website as “Justification and Approval” or “J&A”) on the FedBizOpps website.

- In the case of lease awards permitted on the basis of unusual and compelling urgency, GSA lease contracting officers must publish Justifications for Other than Full and Open Competition on the Federal Business Opportunities website (www.fedbizopps.gov) within 30 days after lease award.
- GSA lease contracting officers, in consultation with the Regional Counsel's Office, must screen all justifications for contractor proprietary data and remove all such data, references, and citations as are necessary to protect the proprietary data in accordance with the Freedom of Information Act, before publication. In addition, GSA lease contracting officers must also be guided by the exemptions to disclosure of information contained in the Freedom of Information Act (5 U.S.C. 552) and the prohibitions against disclosure in determining whether other data should be removed.

c. Funding Considerations

These actions should be executed during the Requirements Development phase. Confirming funds is a critical part of solid project management

Customer Funding: Does the Customer Have Money?

The OA needs to reflect the best estimates we have based on the most realistic market data available at the time.

Leasing Specialists should understand that this initial estimate must be refined continually during the project. Whenever Leasing Specialists obtain better benchmark data, the STAR project and OA need to be updated to reflect this information.

Title 10 Clearance for Armed Services: Does DOD Have Clearance to Spend Money?

This step produces documentation for Lease File Tab I-C, Title 10 Clearance for Armed Services. Base Realignment and Closure (BRAC) leases are exempt from Title 10 clearance, regardless of their annual rental amount.

Title 10 USC 2662(e) requires DOD authorizing committees' prior approval of any general use (or general purpose) space leased for DOD by GSA at an annual rental in excess of \$750,000 (excluding the cost of utilities and other operation and maintenance services). Even if the lease starts with a net annual rental under \$750,000, if rental will cross the threshold through rent escalation during the term, the lease is still subject to this approval.

Acquiring the Title 10 clearance is a DOD responsibility, not GSA's. DOD must obtain the Title 10 clearance and provide a copy to GSA for the lease file before the realty professional begins procurement; however, if the DOD ordering official advises GSA that the clearance request is before their authorizing committees, GSA can begin the procurement, but the Lease Contracting Officer cannot award a lease without first receiving the clearance.

Scoring: Is This an Operating or Capital Lease?

This step produces documentation for the Lease File I-G, Scoring Evaluation.

Every lease action must be evaluated against the budget scoring criteria detailed in Appendix B of [OMB Circular A-11, Criteria and Scoring Ramifications for Operating and Capital Leases](#). This evaluation determines whether a lease should be treated as an operating lease (annual operating expense) or capital asset lease (capital acquisition) for budget scorekeeping purposes. If any one of the criteria is not met, the lease risks being scored as a capital lease. Capital leases are unacceptable because they require the Government to budget the entire expense of the lease in the first year of the lease term.

The 20-Year Limit

GSA is authorized to enter into lease agreements for terms of up to 20 years in a building (or improvement) which is in existence or being erected (40 U.S.C. 585(a)).

Designated employees in each regional Office of Portfolio Management, in coordination with the Leasing Specialists, must perform all scoring evaluations and make the determination that a lease is either an operating or a capital lease. See Revised Policy on the Determination of Operating Leases and Lease Scoring <http://www.gsa.gov/portal/content/104197> for guidance for determining an appropriate budget scorekeeping treatment.

d. Prospectus Process/Preparation

This step produces documentation for the Lease File II-G, Prospectus/Notification of Approval.

A prospectus is a summary of the proposed lease action that must be approved by Congress. A lease prospectus is required when an agency's (or several agencies') total space requirements and buildout needs for functional office space will result in a contract with a net annual rent exceeding the prospectus threshold that applies to the fiscal year of lease award. If a prospectus is required, you should work with the Regional Office of Portfolio Management to prepare all required documents. If the base rent components (full service minus operating costs) times the rentable square feet in the proposed lease equals or exceeds the annual prospectus threshold, you must submit a prospectus. It is important to understand that, as a matter of policy, an advertisement for a prospectus level lease cannot be published until OMB has cleared the prospectus and GSA has submitted the signed prospectus to Congress for Committee Authorizations. A lease prospectus is also required for any alterations to an existing lease location that are projected to exceed half of the prospectus threshold that applies to the fiscal year of lease award.

Net Rent: To determine net rent, take the proposed full service rent (including real estate taxes, amortized tenant improvements, as well as the costs of any GSA lump sum payments and then subtract out only the operating expenses paid directly to the Lessor.

Prospectus Threshold: Realty Specialists must consult with the Regional Office of Portfolio Management for the applicable prospectus threshold as the threshold adjusts annually.

Please refer to Chapter 11 for a further discussion on prospectuses and leases.

e. Determining Source Selection Approach

This step produces documentation for Lease File Tab II-L, Source Selection Plan (Signed) and Related Correspondence.

The first decision is whether the award will be based only on price (lowest price technically acceptable—LPTA), or whether price will be one of several factors that GSA has discretion to

balance (best-value tradeoff). Discussions with client agencies will help determine the most advantageous source selection approach.

If this is a best-value tradeoff award, the Lease Contracting Officer in consultation with the client agency, must determine what technical award factors will be used and their relative ranking/weights (past performance must be one of the factors, in addition to price). The Leasing Specialist must work with the customer to determine the award factors that best support the acquisition strategy. Further, the Lease Contracting Officer must determine the relative importance of the overall technical proposal to price (e.g., substantially greater than, approximately equal to, or substantially less than).

The source selection plan may be a simple, abbreviated plan for a go/no-go decision to award the lease to the offeror with the LPTA offer; or it may be a more thoroughly documented plan to follow a best-value tradeoff process, if it is in the best interest of the Government to consider awarding the lease to an offeror other than the lowest priced offer or other than the highest technically rated offer.

See Chapter 13 on source selection, as well as FAR 15.101.1 and 15.101.2 under “Subpart 15.1—Source Selection Processes and Techniques,” at http://www.arnet.gov/far/current/html/Subpart%2015_1.html#wp1095850.

f. Schedules

The schedule is a critical component of the acquisition plan and should reflect the 15 PBS milestones described in this desk guide’s introduction.

<http://pbsportal.pbs.gsa.gov:777/pls/portal/PORTAL.home>

The Acquisition Planning Wizard (APW) is available to assist in the preparation of highly complex or involved acquisition plans.

g. Required Notification

After discussions and appropriate plan of action has been agreed upon, an acquisition plan will be written by the Leasing Specialist and approved at the appropriate level as shown in the table of threshold approval officials.

The planner or Lease Contracting Officer must submit the written plan or the summary of an oral plan electronically to the Office of Acquisition Policy—Office of Governmentwide Policy within 7 days of approval (acquisitionplans@gsa.gov). Acquisition Policy does not approve the plan.

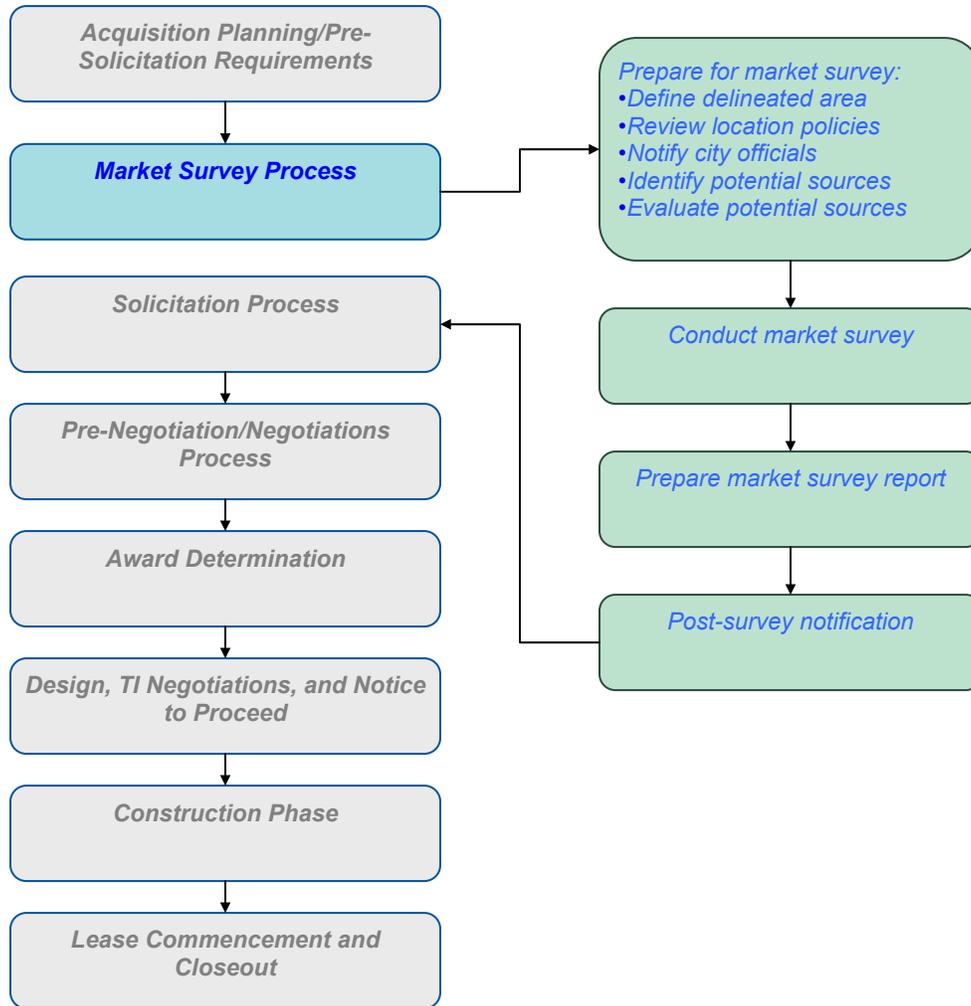
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1. Overview

Part 2 reviews the key steps in the market survey process. As the illustration below indicates, this process begins with reviewing the policies that set priorities for locating Government offices and ultimately produces all properties to be solicited. These properties will eventually receive an SFO. This entire process is documented in a Market Survey Report. Each step label is linked to the section that discusses the topic.

Market Survey Process



2. Importance of a Market Survey

Understanding the market involves both general market research and formal market surveys.

Market research is any methodical effort to gather information about the market or customers, in order to gain insight or improve business decisions. It may involve consulting commercial databases, real estate brokers, and other sources of expertise. It may or may not involve directly contacting commercial Lessors. Market research generates useful information for setting negotiation objectives by helping to identify ranges of fair and reasonable costs for the type of space desired. See “[Market Knowledge](#)” in the discussion of negotiations.

The term “market survey” refers the process of gathering information about and visiting specific properties in the market to determine whether suitable property is competitively available and how to satisfy the lease requirement in the most competitive manner. Market surveys must not be

used to target a single specific property to lease. The characteristics of each building inspected for a market survey must be documented on [Form 2991, Lease Market Survey for Existing Building](#), or for Simplified leases, see Chapter 3, Simplified Lease.

The background information developed in a comprehensive market survey will lay the foundation for a successful procurement. It will help you thoroughly understand what kind of space is available in the market area and how much it costs. In turn, this information will give you a solid basis for lease negotiations.

Ranges of market rental rates based on information obtained during the survey or from other available sources are used to develop the estimated rental range, fair market values, and negotiation objectives.

[GSAM 570.301](#) requires that one or more market surveys be conducted to identify potential locations capable of meeting a space requirement for the Government, with the results of the surveys documented in a manner appropriate to the size and complexity of the acquisition.

The survey should be conducted in person and should reveal rental costs typical of the area as well as cost comparisons for major or similar buildings at various floor levels.

The Leasing Specialist is responsible for directing and overseeing market surveys. The outcome of the market survey process is list of buildings that meet the general requirements of the SFO. This is a critical step in the leasing process.

3. Prepare for Market Survey

a. General Preparation

Leasing Specialists may collect market survey information on the availability of space from multiple sources, such as responses to [FedBizOpps](#) and newspaper advertisements, circulars, and commercial on-line listings; consultation with brokers, realtors, building owners, and other Government officials; the local economic development authority (EDA); Chamber of Commerce; regional listing files; and independent observation of buildings by GSA Leasing Specialists and the local client agency.

If expressions of interest in response to the [FedBizOpps](#) advertisement number less than two (2), Lease Contracting Officers must concentrate on finding space from the sources listed above. In the event that adequate competition is not identified, the Leasing Specialists must work with the client agency to expand or revise the delineated area where possible (or document the file as to why expanding or revising the delineated area is not possible), then proceed to re-survey the market as appropriate.

All locations that are offered in response to advertising and that meet the minimum requirements regarding delineated area, quality and availability must be surveyed.

The Leasing Specialist should schedule appointments for walkthroughs of each of the potential offerors' spaces. Regardless of the square footage required, the Leasing Specialist should allow time for doing further canvassing of the delineated area to determine whether other potential buildings are available that could satisfy the agency needs in addition to those already identified by local brokers or Lessors.

b. Defining the Delineated Area

This step produces documentation for Lease File Tab I-E, Justification of Delineated Area.

The delineated area is defined by the specific interconnecting boundaries within which space will be obtained to satisfy an agency space requirement. The Leasing Specialist should develop the delineated area during the requirements development process (See Chapter 1). The requiring agency identifies the delineated area based on its mission needs. GSA approves this based on location policy, with consideration of CICA. Avoid vague boundaries, such as a radius expressed in miles or blocks. Buildings which face and/or have street addresses on the boundary streets are deemed to be within the delineated area.

CICA requires that an agency “specify its needs and solicit bids or proposals in a manner designed to achieve full and open competition for the procurement” (41 U.S.C. § 253a(a)(1)(A)). It also requires that agency solicitations “include restrictive provisions or conditions only to the extent necessary to satisfy the needs of the executive agency or as authorized by law” (41 U.S.C. §253a(a)(2)(B)). The following regulations, policies, and factors affect agencies’ delineated area:

1. FMR Part 102-83—Location of Space,
http://www.gsa.gov/Portal/gsa/ep/channelView.do?pageTypeld=17113&channelId=-24559&specialContentType=FMR&file=FMR/FMRTOC102-_83.html#wp436256
2. Rural Development Act
3. Executive Order 12072
4. Other Considerations
 - a. Congressional Districts
 - b. Available Space
 - c. Agency requirements Floodplains

Historic Circumstances Requiring Justifications

If the client agency seeks space in an urban location, it must provide a written justification if the delineated area is not fully encompassed within the boundaries of the central business area, also sometimes called the central business district (CBD) or central enterprise area (CEA).

Agency Justifications

Agencies bear a heavy burden in justifying a location outside a central business area. Accordingly, the agency’s written justification must set forth facts and considerations sufficient to demonstrate that first consideration has been given to the central business area and support the determination that the agency program functions cannot be efficiently performed within that area. Specifically, justifications must address, at a minimum, “the efficient performance of the missions and programs of the agencies, the nature and function of the facilities involved, the convenience of the public served, and the maintenance and improvement of safe and healthful working conditions for employees” (Executive Order 12072, Federal Space Management).

The sufficiency of some justifications will be readily apparent—for example, with a Federal Aviation Administration request for a location at an airport that is outside a central business area.

Justifications are insufficient if they are based on executive or personnel preferences or other matters that do not have a material and significant effect on the efficient performance of agency program functions.

Requesting agencies must comply with all requirements of Executive Order 12072 before submitting their request for space in urban areas. Agency justifications must be submitted to and reviewed by GSA. As the procuring agency, GSA must approve the final delineated areas and conduct all acquisitions in accordance with Executive Order 12072 and other applicable laws and regulations.

The potential for disagreements over the delineated area may be minimized by advising agencies beforehand about the requirements of Executive Order 12072. When disagreements arise, they should be resolved early in the requirements development process at the lowest possible GSA management level.

During the review process, GSA will proceed with requirements development and other activities related to the requesting agency's space request.

c. Location Policy Considerations

This step produces justification documentation for Lease File Tab I-E.1, Rural Development Act (RDA).

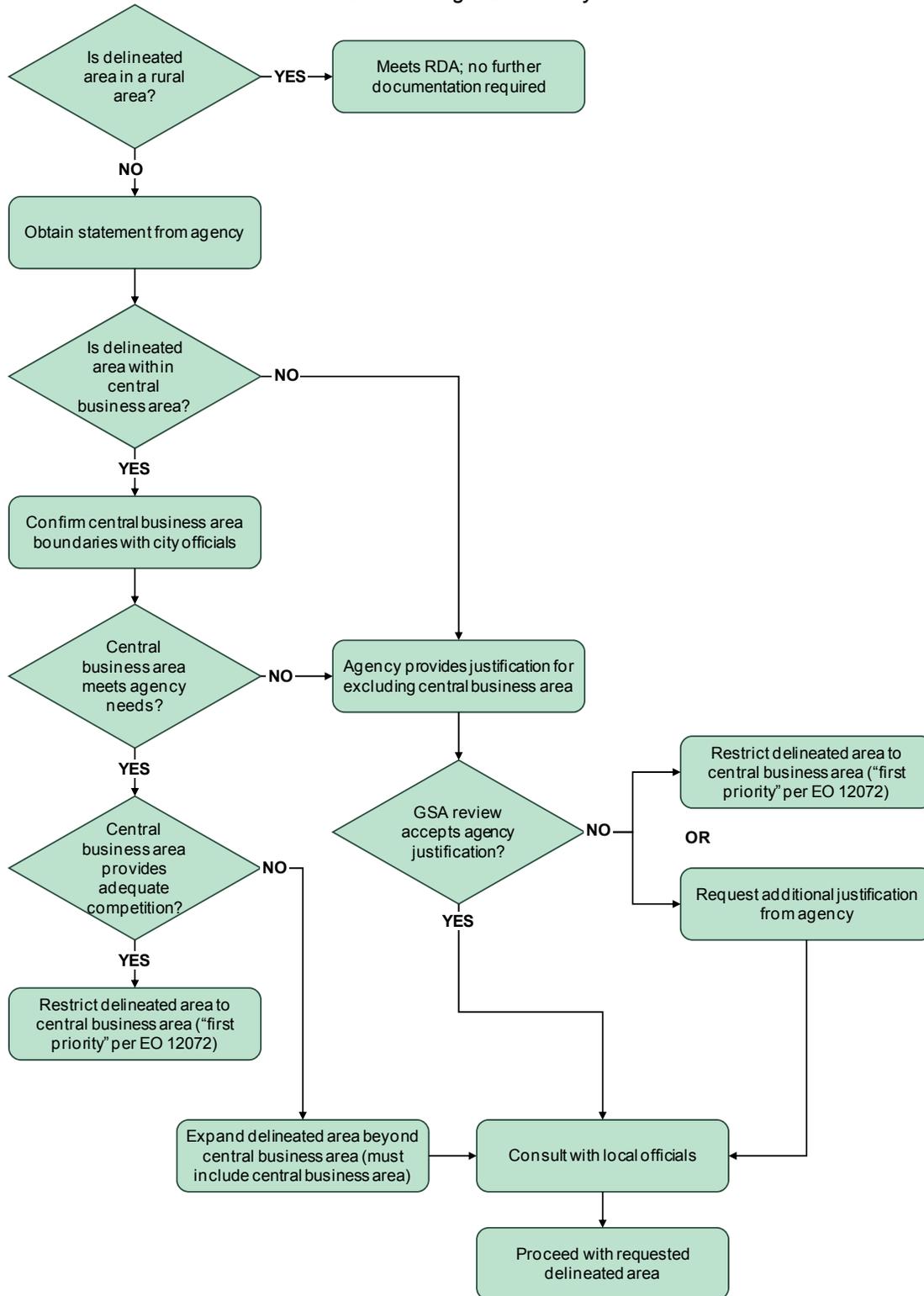
Policy considerations governing the space location, as discussed below, should already have been addressed initially during requirements development. The mission needs of the client agency are the primary factors that determine whether a particular location can fulfill the agency's space requirements.

If a new lease delineated area crosses over congressional districts, regional managers (congressional liaison staff) may want to contact the impacted congressional district representatives.

Process Summary

The following chart illustrates the process for determining RDA and central business area priority approval.

Determining RDA Priority



Rural Development Act

The Rural Development Act (RDA) of 1972 (7 U.S.C. 2204b-1) and implemented in FMR 102-83 directs Federal agencies to give first priority to locating new offices and other Federal facilities in rural areas. Client agencies must affirm that they have given first priority to locating in a rural area. If rural locations do not support their mission requirements, then GSA must give proper consideration to the type of urban location as further explained below.

Rural Area Priority

As provided in 7 U.S.C. 1991(a) (13) (A), a rural area is defined as: (a) a city, town, or unincorporated area of 50,000 inhabitants or less, and (b) an urbanized area immediately adjacent to a city, town, or unincorporated area with a population greater than 50,000 inhabitants.

FMR §102-83.60 defines “urbanized area” as follows:

“An urbanized area is a statistical geographic area defined by the Census Bureau, consisting of a central place(s) and adjacent densely settled territory that together contain at least 50,000 people, generally with an overall population density of at least 1,000 people per square mile.”

If the agency’s delineated area encompasses a rural area as defined above, no further documentation is needed.

Urban Location Statement

The written statement from the requesting agency affirming that first priority has been given to rural areas and that an urban location is required should include the requesting agency’s name, identify the geographic area (city or town), and identify the space requirement. The statement may be provided in the form of a letter, facsimile, or e-mail. It must be signed by—or in the case of an e-mail, addressed from—an authorized ordering official. The statement will serve as a record for the file.

The Rural Development Act does not override agency mission requirements, nor does it conflict with Executive Order 12072, which applies only after an agency has decided to locate in an urban (non-rural) area. When an agency’s mission requires an urban location, Executive Order 12072 dictates that first consideration be given to a central business area within the urban location.

This statement is required for all lease acquisitions, and a copy of the statement must be retained in the lease file.

Urban Locations—Executive Order 12072

First Consideration to Central Business Area

In its leasing activities, GSA must manage Federal space to conserve existing urban resources and encourage the development and redevelopment of cities. Toward that end, Executive Order 12072 requires that “the process for meeting Federal space needs in urban areas must give first consideration to a centralized community business area and adjacent areas of similar character, including other specific areas that may be recommended by local officials.”

“First consideration” means that when existing Government-owned or -controlled space is unavailable, an agency request for space in an urban area must be satisfied within the applicable central business area, unless the requesting agency provides GSA with a written justification

explaining why the agency program functions involved cannot be efficiently performed within the central business area. This requirement affects all space requests, including those for expiring leases. In instances where there is inadequate competition, after consultation with local officials, delineated areas may be expanded beyond central business areas.

Circumstances Requiring Justification To Be Outside the CBA

If the client agency seeks space in an urban location, it must provide a justification if the delineated area is not fully encompassed within the boundaries of the central business area.

Historic Properties Check

This step produces documentation for Lease File Tab II-E, Historic Properties Check.

GSA provides both first consideration for historic properties and a requirement that certain procedures be followed regarding new construction, repairs, and alterations to historic properties.

To comply with ADM 1020.2 Procedures for Historic Properties, check the National Register of Historic Places (www.nationalhistoricregister.com) to determine whether historic properties exist within the delineated area and whether there is a need to provide the price preferences of the GSAR clause 552.270-2, Historic Preference. This is a useful starting point, but even properties that are not registered may be subject to the special requirements enumerated in the HISTORIC PREFERENCE clause of the SFO, so the leasing specialist may also need to consult the GSA Regional Historic Preservation Officer (RHPO).

Historic property means any prehistoric or historic district, site, building, structure, or object included in, or eligible for inclusion in, the National Register of Historic Places maintained by the Secretary of the Interior (36 CFR 800.16(l)(1), as cited in the SFO). Offerors may demonstrate that a property not listed in the National Register is nonetheless eligible for inclusion by submitting either of the following.

- 1) A letter of opinion signed by the State Historic Preservation Officer (SHPO) stating that the property appears to meet the National Register criteria;
 - a. 36 CFR 60 requires the SHPO to issue a response within sixty days of receiving a properly documented Request for Nomination application.
- 2) A copy of the National Register Announcement listing the property address with the notation "cover documentation accepted," or "listed."
 - a. The National Register produces a weekly Announcement listing all properties for which a formal nomination was received, and those approved and listed.

Executive Order 13006, Locating Federal Facilities on Historic Properties in Our Nation's Central Cities, requires the Federal Government to "utilize and maintain, wherever operationally appropriate and economically prudent, historic properties and districts, especially those located in our central business areas." This requirement does not apply to acquisitions for space in rural areas identified under the requirements of the Rural Development Act.

The National Historic Preservation Act (NHPA) does not similarly distinguish between historic properties in urban and rural areas. As described in the SFO paragraph, new construction, alterations, and repairs to historic properties must follow strict guidelines, in order to comply with NHPA.

The Archeological Resources Protection Act (ARPA) applies to both historic properties and those sites which may be eligible for inclusion in the National Registry of Historic Places. This means that even sites not listed in the Registry, and sites that have not been considered for inclusion, may still be protected by ARPA.

d. Notification to City Official

This step produces documentation for Lease File Tab I-D, Notification to City Official.

In accordance with Executive Order 12072, GSA personnel must consult with “appropriate Federal, State, regional, and local (City) Government officials and consider their recommendations for and objections to a proposed site selection or space acquisition.” For leases, this typically applies only to local officials. State or regional officials may be consulted as determined appropriate by the Lease Contracting Officer.

How to find the “appropriate” officials

In most regions, asset managers (Portfolio) can help you identify the appropriate local officials to notify.

This consultation requirement applies to agencies looking for space in urban areas. If the space requirement can be met in a rural area, consultation with local officials is not required. [Urban](#) area is defined in FMR Part 102-83—Location of Space, www.gsa.gov/federalmanagementregulation.

The Leasing Specialist must consult with officials by providing them with written notice, affording them a proper opportunity to respond, and considering all recommendations for and objections to the proposed space action. This consultation is part of requirements development and must be initiated early. A letter to the mayor, city council, or city planning board, as appropriate in the locality, is usually needed to meet this requirement and document the consultation.

The consultation must also verify the central business area boundaries. If there is any doubt as to the geographic boundaries of the central business area and areas of similar character in a community, the appropriate decisional official or body (such as the mayor or city council) in the local Government must be consulted.

e. Advertising and Identification of Potential Competition Sources

This step produces documentation for Lease File Tab II-H, Copy of Advertisement or FedBizOpps Printout.

Thresholds

If a proposed lease is estimated to exceed 10,000 ABOA square feet, then the Lease Contracting Officer must publicize the proposed acquisition in [FedBizOpps](#).

For leasehold acquisitions where the solicitation requires the construction of a new building on a preselected site, the contracting officer, in accordance with the timeframes established in FAR 5.203, must publicize the proposed acquisition in FedBizOpps.gov regardless of size or value.

Threshold Options

The statutory threshold for advertising is \$25,000 total contract value, but the Small Business Administration and the Office of Federal Procurement Policy have approved a threshold of 10,000 SF for leases.

However, the Lease Contracting Officer may publicize proposed lease acquisitions of any dollar value or square footage in [FedBizOpps](#) or local newspapers if, in the opinion of the Lease Contracting Officer, doing so may promote competition.

FedBizOpps Template

Lease advertisements must be consistent to facilitate industry understanding of our requirements. Therefore, a standardized FBO advertisement is attached at the end of this chapter. The document can be completed, and then text can be copied and pasted directly into the text field of FBO to summarize all of the Government's requirements.

Publicizing/Advertising Time

[FedBizOpps](#) postings should allow a reasonable time for the market to become aware of, and respond to, the Government's need for space (at least 20 days between initial posting and when responses are due). The existing Lessor should be notified about this advertisement because Lessors do not often check [FedBizOpps](#) regarding their properties.

If advertising for a SLAT procurement (see Chapter 3), consider the individual acquisition and establish a reasonable response time.

In cases of unusual and compelling urgency (see Chapter 12 on emergency leasing), provide as much time as reasonably possible under the circumstances and document the urgency of the situation in the contract file.

If the delineated area, square footage, or major building features change after the initial advertisement, you must re-advertise.

f. Evaluating and Recording Potential Sources

This step produces documentation for Lease File Tab II-I, Responses to Advertisement.

Leasing Specialists must document the responses to the advertisement in the lease file. The responses will provide a general sense of the market. They will cast light on whether the respondents meet the basic requirements, in terms of the delineated area, required square footage, and other requirements. The responses will also help establish whether the market has the capability to support the lease need.

Other Sources

In addition to identifying prospective sites from advertising responses, the Leasing Specialist should check market information available in electronic databases, such as Loopnet (at <http://www.loopnet.com/>) and CoStar Realty Information, Inc. (at <http://www.costar.com/>). Other valuable sources are economic development commissions or other similar community organizations, as well as real estate brokers.

Each expression of interest should be identified by name, contact information, and date of contact.

Once all respondents and prospective locations are identified, the Leasing Specialist or Lease Contracting Officer should determine which buildings will be surveyed based on the delineated area and other minimum requirements of the SFO like availability and square footage. Doing this step now will minimize time wasted during the subsequent building tour.

Floodplain Check

This step produces documentation for Lease File Tab II-F, Floodplain Check.

Executive Order 11988, “Floodplain Management,” directs GSA, and other agencies, to avoid leasing space in buildings located within floodplains unless it is determined that there is no practicable alternative. Where there is no practicable alternative to a site in a floodplain, a specific 8 step process must be followed to comply with the Executive order. The Regional Administrator makes the determination that no practical alternative exists. Close coordination with the Environmental staff is required in any case that might involve a floodplain or wetland. Refer to the *Floodplain Management Desk Guide*, http://pbsportal.pbs.gsa.gov:7777/pls/portal/docs/page/PL/Documents/PL/library/Floodplain_Management_Desk_Guide.pdf and ADM 1095.6, *Considerations of Floodplains in Decision Making*, http://internotes.gsa.gov/Insite/gsad.nsf/wp_InsiteDirectivesDisplay/5B05E2374C8179DE85256CD7004A2A0B?OpenDocument

The Leasing Specialist must identify potential floodplain and wetland impacts for projects, identify alternatives that avoid the floodplain and wetland, and coordinate compliance with the National Environmental Policy Act (NEPA) process.

If space is leased for a “critical” Government function such as records storage, medical facilities, or others listed in the *Floodplain Management Desk Guide*, the Leasing Specialist should consult that guide for instructions.

Floodplains

A survey may be necessary to identify the floodplain boundaries. For more detailed information on compliance with the Executive order, refer to the *Floodplain Management Desk Guide*.

Sources for floodplain maps include:

- Web maps from FEMA (free)—Available at <http://www.hazard.fema.gov>
- Adobe pdf maps from FEMA (free)—Available at <http://msc.fema.gov>
- Floodinsights—Available at www.floodinsights.com; requires an account and a fee. Provides the zone, FEMA map panel number, and a small map with the site indicated.

Regional NEPA coordinators are also available to assist in determining whether sites are in floodplains.

Wetlands

Executive Order 11990, “Protection Of Wetlands, directs GSA and other agencies, to minimize the destruction, loss or degradation of wetlands. avoid leasing actions that could result in the discharge into a wetland.” Wetlands are areas that are inundated by surface or groundwater with a frequency sufficient to support, and under normal circumstances do or would support, a prevalence of vegetative or aquatic life that requires saturated or seasonally saturated soil conditions for growth and reproduction. Wetlands generally include swamps, marshes, bogs, and similar areas such as sloughs, potholes, wet meadows, river outflows, mud flats, and natural ponds. Wetlands are often associated with floodplains, but may also occur in other situations. For instance, a wetland may be formed and maintained by a high water table in areas with shallow depressions in the topography. Wetlands may be identified from maps in the U.S. Fish & Wildlife Service’s National Wetlands Inventory (www.nwi.fws.gov) or by contracting for a survey. For

more detailed information on compliance, see Executive Order 11990, the PBS *Wetlands Impact Management Desk Guide* and ADM 1095.5, *Consideration of Wetlands in Decision Making*. http://internotes.gsa.gov/Insite/gsad.nsf/wp_InsiteDirectivesDisplay/E677CD3744D7AF4485256AAE004E72D6?OpenDocument When both Executive Orders 11988 and 11990 would apply—for example, if an action overlaps floodplains and wetlands, such as in coastal areas where most wetlands are located in floodplains—both orders should be followed, but the more detailed floodplains order takes precedence if there appears to be any conflict or question about execution of the orders. The PBS *Wetlands Impact Management Desk Guide* also provides additional guidance in this area http://pbsportal.pbs.gsa.gov:7777/pls/portal/docs/page/PL/Documents/PL/library/PBS_Wetlands_Impact_Management_Desk_Guide.pdf

Environmental Check

This step produces documentation for Lease File Tab II-K, Categorical Exclusion Checklist.

The National Environmental Policy Act (NEPA) requires an assessment of the environmental impact of every proposed Federal action that could affect the environment.

The Leasing Specialist must initiate conversations with the Regional Environmental Advisor/Officer for the NEPA evaluation early in the leasing process, before the opportunity to consider alternatives has been overtaken by the urgency of the lease requirement. Most GSA leases either acquire space in an existing building which does not change the type or intensity of use, or are lease extensions, renewals, and succeeding leases. These are categorically excluded from a formal NEPA assessment. They will be considered either an “automatic” CATEX, meaning a type of action that experience has shown never poses a significant impact on the quality of the human environment; or a “checklist” CATEX, meaning a type of action that requires completion of a checklist to ascertain that extraordinary circumstances do not exist.

The Council on Environmental Quality guidelines, at 40 CFR 1508.4, support a categorical exclusion for most leases. The guidelines define a categorical exclusion to encompass actions that “do not individually or cumulatively have a significant effect on the human environment and which have been found to have no such effect in procedures adopted by a Federal agency ... and for which, therefore, neither an Environmental Assessment nor an Environmental Impact Statement is required.”

The environmental impact review is addressed in greater detail in Chapter 18 of this desk guide. Leasing Specialists should also familiarize themselves with the [PBS NEPA Deskguide](http://pbsportal.pbs.gsa.gov:7777/pls/portal/docs/page/PL/Documents/PL/library/NEPA_DeskGuide_1.pdf) http://pbsportal.pbs.gsa.gov:7777/pls/portal/docs/page/PL/Documents/PL/library/NEPA_DeskGuide_1.pdf and consult their regional NEPA officers for assistance and more complete direction.

The Lease Contracting Officer must document this CATEX checklist step in the lease file as early as possible in the lease acquisition process. However, no documentation is required for leases in which an automatic CATEX applies.

4. Conducting the Market Survey

As part of the market survey process, the Leasing Specialist or broker contractor should physically inspect each property as appropriate (building and/or site) to determine whether it can meet the requirements of the SFO.

The Leasing Specialist or broker contractor will arrange for the physical market survey. This involves, among other things, identifying the actual sites to be toured; establishing schedules and agendas; determining who will participate; and conducting preparatory discussions with client agencies to set expectations for the survey (size of group, who is conducting the survey, roles and responsibilities, and so on).

The current Lessor must be notified of the acquisition, even if the current location is incapable of meeting the current minimum requirements (for example, the agency has outgrown the space and not enough expansion space exists, or agency mission requirements have changed).

The characteristics of each building inspected for a market survey must be documented on [Form 2991, Lease Market Survey for Existing Building](#), or for SLAT leases [GSA Form 3627, Market Survey](#). If touring sites, bring a land survey form. The land market survey is required for all new lease construction projects and new construction proposed by the market in response to the advertisement.

The template for a market survey itinerary can be found in Appendix C.

a. Survey Participants

Who Should Participate?

The Leasing Specialist or broker contractor should invite all relevant parties to attend. Leasing Specialists should always physically participate in the market survey, regardless of whether the acquisition will be conducted by our broker contractor.

Representatives of the client agency must attend the physical inspection phase of the market survey. This representative should be authorized to commit the agency by signing the completed market survey forms.

The GSA Property Manager or representative and the Federal Protective Service must be invited to participate at their option.

Other potential invitees include space planners, engineers (including fire protection engineers), and architects.

Send Out Forms Before Site Survey

It is appropriate to send the market survey form for completion to all potential offerors before the actual physical site survey. Potential offerors are not required to return the form or complete it in its entirety.

The LS/LCO or Broker Contractor shall physically inspect each property as appropriate (building and/or site) to determine if it can meet the requirements of the SFO, and shall invite all relevant parties to attend, including, the tenant agency representatives, facilities management and services representative, and a representative of the Federal Protective Service.

Preserving Procurement Integrity

Procurement regulations prohibit divulging acquisition information to a potential offeror that is not provided to all potential offerors at the same time. During a market survey, only the potential that the specific offeror's property could meet the requirements of the SFO may be discussed with the property owner or representative. Discussions with property owners or their representatives may not include information about other properties being surveyed or any other aspect of the procurement. Prior to conducting the survey, the Leasing Specialist or broker contractor conducting the survey should remind all participants of these requirements for procurement

integrity and obtain signed non-disclosure forms. Note also that the number or identity of offerors participating in the procurement may not be disclosed at any time before award without consultation with the Office of Regional Counsel.

b. What to Look For and Ask About

The survey should examine the individual locations in terms of their potential to meet general requirements that are common to all lease acquisitions, as well as those that are unique to the client agency.

In conducting a market survey, the Leasing Specialist should not focus too heavily on the details of the interior finishes, as these can be easily changed. Instead, take note of the more permanent features of the building, such as systems, building core, floorplate, and accessibility.

The Leasing Specialist should fill out the appropriate market survey form in its entirety, capturing information such as:

- Amount of available space and floor location;
- Confirmation that the site is within the delineated area;
- Accessibility for the disabled or handicapped (entrances, toilet rooms, drinking fountains, etc.);
- Fire and life safety requirements (sprinklers, means of egress, etc.);
- Proximity to public transportation, parking, and amenities; and
- Asking rental rate information.
- For locations that do not conform to the requirements, the Leasing Specialist must also ascertain whether the owner is willing and able to correct the deficiency and bring the location into compliance.

For each property toured, the Leasing Specialist determines whether the building meets (or can be altered to meet) the minimum requirements of the client agency. If the building does not and cannot meet minimum requirements, the survey form must adequately document the reasons.

Client Agency Concurrence

It is crucial that GSA obtain agency concurrence on the market survey. This concurrence can be documented on the survey form itself, on the market survey report, or in separate correspondence. If the customer disagrees with the Lease Contracting Officer's preliminary decisions regarding whether a property generally meets the requirements of the agency, the CO and the agency representative must negotiate some agreement ... Proceeding without agreement puts the procurement at risk should the agency reject the offer of space at the conclusion of negotiations.

5. Market Survey Report Requirements

This step produces documentation for Lease File Tab II-J, Market Survey, Market Survey Report, and Agency Concurrence.

The market survey report is required to be completed and filed for all procurements. If it is an NBC project, the broker is responsible for completing both Form 2991 (<http://www.gsa.gov/Portal/gsa/ep/formslibrary.do?viewType=DETAIL&formId=3564B2F44EC78643862572ED003FCC86>) and the market survey report. The Leasing Specialist must write a detailed market survey report, including phone survey results that address the following areas:

a. Description of project

- State details of the project, such as:
- Type of action (new or new/replacing, etc.);
- Agency; and
- Delineated area (including a map showing the building location).

b. Authority

State GSA's authority to enter into leases on behalf of the Federal Government: 40 U.S.C § 585.

c. Background

- Include current lease information, if applicable.
 - Contract number, square footage, expiration date, etc.
- Identify steps taken to identify sources (where/when advertisement ran and/or how many brokers were contacted, etc.).
- State the date that the agency requirement was received.
- Reference unique requirements or go/no-go issues (such as column spacing—minimum or maximum, setbacks, public transportation, specific floor requirement).

d. Market Survey

- Include general information about the survey.
- List the attendees (with appropriate titles), the date, and the number of buildings.
- Name buildings that gave us an expression of interest but were not included on the market survey and discuss the reason.
- For each building/site toured indicate:

Market Survey Process 6. Post-Survey Response to Those Who May not Meet the Requirements

- Agent or owner information.
- Name, title, company name, address, phone number.
- Estimated rental rate and operating cost information.
- Information in the description of each building:
 - Available square footage and floors
 - Building age and condition
 - Fire safety features (sprinklers, exits)
 - Accessibility compliance
 - Application of special requirements.
- Indicate whether the land market survey form was used. Include photographs of each property.

e. Conclusion/Summary

- Identify the buildings that generally meet the requirements of the agency and those that do not appear to meet the requirements. A summary table of buildings toured is helpful.
- Identify full service (gross) asking rents in comparable, surrounding buildings, if known.
- Include other available market data.
- Include a chart if desired.
- Assess the level of expected competition.
- Assess the viability of offerors (do we mean offers?)
- Include construction schedule, if building is under construction.

f. Prepared By and Approved By

Include a line at the end of the market survey for the signature of the Leasing Specialist and/or Lease Contracting Officer.

6. Post-Survey Response to Those Who May not Meet the Requirements

A letter or email must be sent to prospective offerors after the market survey to address expressions of interest when we determine that the property does not or may not be capable of meeting the requirements of the agency. The letter should address, at a minimum, areas where the building owner agrees that they are incapable of meeting SFO minimum requirements, and other areas identified during the market survey that do not appear to meet or be capable of meeting the requirements. Regardless of the CO's determination, anyone who requests an SFO must be provided a copy of the SFO and allowed to submit an offer. If an offer is received that

does not meet a stated minimum requirement, it may be determined to be technically unacceptable and eliminated from the competition. ([GSAM 570.3](#))

Part 3: Solicitation Process

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1. Overview

A Solicitation for Offers (SFO) is a document used to invite the submission of offers for a lease acquisition. It is commonly referred to as a request for proposals. The term “Solicitation for Offers” for leasing means a request for proposals. The SFO describes the Government’s requirements and performance criteria against which a Lessor is expected to perform, as well as the evaluation criteria that the Government will use to evaluate offers. It is critical that the acquisition plan is finalized at this stage before the SFO is prepared.

The Leasing Specialist or broker contractor develops the SFO package tailored to the requirements of each particular solicitation using the appropriate forms and paragraphs required by GSA policy as implemented in the SFO template and eLease. After obtaining agency concurrence, the Leasing Specialist or broker contractor sends it to all prospective offerors identified on the market survey and any other party that requests a copy.

The SFO forms the basis of the entire process of lease negotiation and is the foundation of the lease. It defines for the market the Government’s minimum requirements, so that the Government gets the correct type, quantity, and quality of space and services. It also includes offer forms and solicitation provisions and clauses that are required for government contracts. The SFO helps protect the Government’s interests during the term of the lease.

GSA uses a solicitation format, including a procurement summary, that is sufficiently flexible to meet varying lease requirements and to promote the maximum possible competition in the space market. The SFO consists of sets of requirements for the space, together known as the requirements package. The requirements package is the primary vehicle for developing and communicating space standards.

A current version of the SFO and required forms are included in Appendix C. The SFO templates also include “instructions” which appear in nonprinting blue text. The most current version of the

SFO and related documents can also be accessed in eLease at <http://pbsportal.pbs.gsa.gov> or downloaded from the GSA Forms Library online at <http://www.gsa.gov/Portal/gsa/ep/formsWelcome.do?pageTypeld=8199&channelPage=/ep/channel/gsaOverview.jsp&channelId=-25201>.

The type of space your client agency needs will drive critical decisions in the SFO process. The following space types are examples that will result in different SFO documents:

- Offices
- Storage/warehouses
- Parking
- Unique sites such as airports, TSA hangars, border stations, and vacant land; or space for agencies with unique requirements, such as FEMA, TSA, and others

Once the SFO is prepared, the Leasing Specialist or broker contractor sends a draft to the client agency for review and approval. The draft SFO and agency comments are then submitted to the Leasing Specialist. If necessary, the Leasing Specialist or broker contractor (see Chapter 16) updates the SFO with agency and Leasing Specialist comments and resubmits it to the Lease Contracting Officer for review and approval.

Once the Contracting Officer approves the SFO, the Leasing Specialist issues it. The date for receipt of offers must comply with GSAM Part 570 requirements.

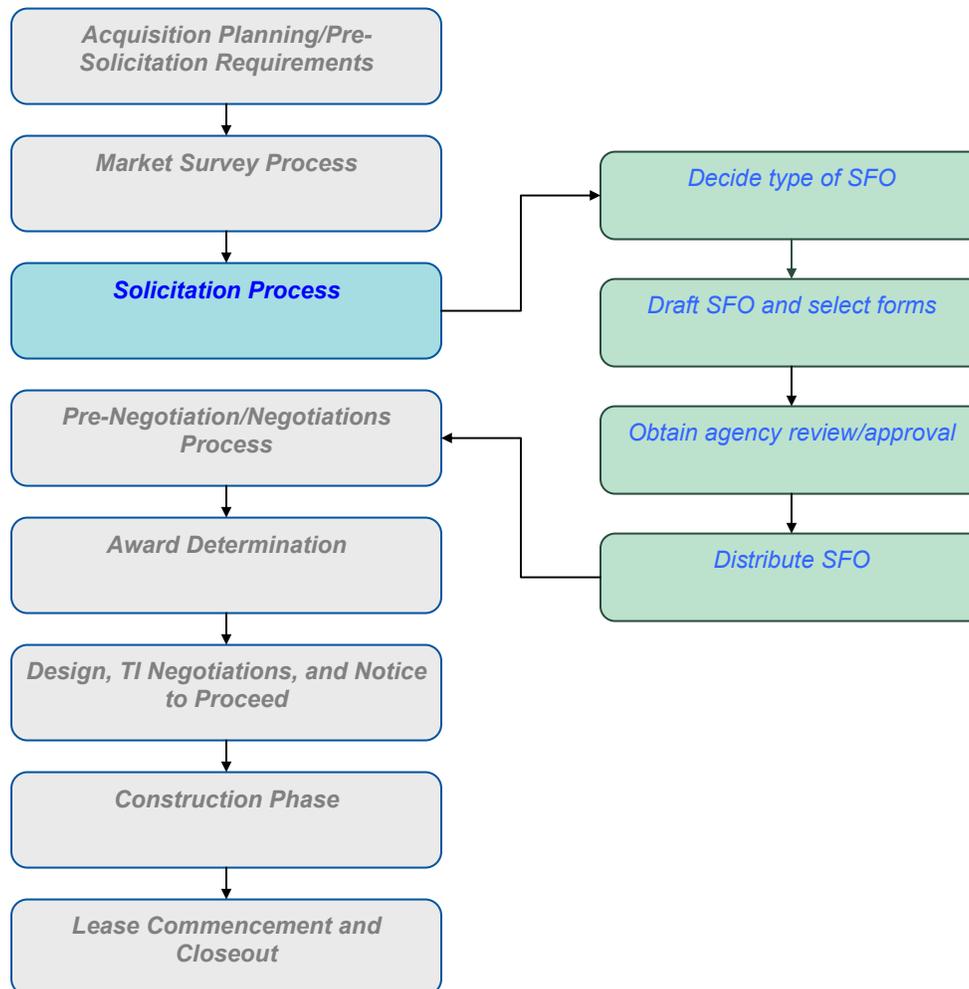
In some circumstances an SFO amendment may need to be prepared, if requirements change.

The following illustration shows the steps in the solicitation process. Each step below is linked to the section that discusses the topic.

Establishing the Offer Due Date

Except in special circumstances such as simplified acquisitions or emergency leases, the Leasing Specialist must provide offerors no less than 20 calendar days between issuing the solicitation and the deadline for receiving initial offers.

Solicitation Process



2. How to Build the Solicitation for Offers

The SFO templates in eLease (add link to PBS Portal) are the most current and should be the starting point for developing SFOs for most transactions. The manual SFO template option includes the draft content (in nonprinting blue text), as well as instructions for each section that guide the user through modifying the SFO template for specific lease actions as needed.

a. Types of SFOs

There are three types of SFOs that are available for use.

- Tenant Improvement (TI);
- Modified TI (for specific clients, but not in eLease); and

- SLAT.

Note that the type of space being leased (the size and complexity of the requirement) will help the Leasing Specialist decide which SFO type to use (see Part 1).

- Depending on which SFO is chosen, the Leasing Specialist will confirm the requirements with the client using the boilerplate SFO. The Leasing Specialist will then work with the client to create an offer package.
- This section addresses the boilerplate SFO forms, the package and clauses will be addressed later.

(Specialized SFOs are also being considered for lease construction, warehouse space, TSA airport leases and parking.)

TI-SFO—Leases Greater Than \$100,000 Net Annual Rent

The TI-SFO is the most common SFO that GSA uses today and should be considered standard for most procurements. It can be generated in eLease using either the manual or the SFO Wizard. This SFO type identifies a tenant improvement allowance (TIA) that the offerors must include as part of their offer. The TI-SFO contains carefully separated price components for the basic “building shell” and an allowance for tenant improvements to the shell. The client agency will use their TI allowance—determined by the tier allowance as found in the Occupancy Agreement tool—to fund the buildout of its space, performed by the successful offeror in accordance with the Government-approved design intent drawings. Rather than require all the details regarding the buildout before award, these can be determined post-award by using the TI-SFO type.

Modified TI Approach

With a modified TI approach, in contrast to a TI-SFO, the tenant improvements are defined, negotiated, and priced upfront before lease award. A modified TI approach SFO still separates the shell and tenant improvement costs. The buildout is defined in the solicitation form up front. This requires developing well-defined TI requirements beforehand. The offeror can then price these requirements in their bid. These SFOs are currently being considered in limited situations for some agencies (such as the FBI). The modified TI approach SFO is currently not in eLease.

In a modified TI approach lease, the Lessor makes a property ready for the client agency to begin business by having the agency furnish only furniture, phone, and inventory, if any. Tenant improvements are provided at the Lessor’s expense according to plans and specifications previously agreed upon by the parties. Unlike a TI-SFO, where the tenant pays for costs in excess of the allowance amount, in a modified TI-SFO the landlord bears the risk of construction.

SLAT—Leases Equal To or Less Than \$100,000 Net Annual Rent

Simplified lease acquisition procedures are the procedures for awarding leases at or below the simplified lease acquisition threshold, or SLAT, which is currently \$100,000 average annual rent for the term of the lease, including option periods and excluding the cost of operational services.

As described in the General Services Administration Acquisition Manual (GSAM), Part 570.2, Simplified Lease Acquisition Procedures, GSA has the authority to award leases at or below the SLAT using a simplified process. The purpose of the SLAT procedure is to reduce administrative costs, while improving efficiency and economy. The SLAT procedure is a streamlined approach to the solicitation process and accelerated delivery.

b. Compiling the SFO Boilerplate

At the core of the SFO package is the boilerplate, which fully describes the government's space requirements so that offerors can provide a well-formed, fixed priced proposal. In addition to defining the required square footage, lease term, delivery schedule, delineated area, and level of services and utilities, the SFO outlines minimum technical specifications and codes for the building systems, structure, and interior fit-out. The agency's unique and special requirements are also incorporated into the document. While detailed in scope, the technical specifications outlined in the SFO boilerplate are performance-based, not prescriptive, meaning that offerors must provide the technical solution to meet the minimum specifications.

Consult on SFO Deviations

The PBS Office of Real Estate Acquisition should be consulted when significant deviations from the SFO are proposed.

In addition to describing space requirements, the SFO boilerplate communicates when offers are due; specifies the forms, submittals, and other documentation required as part of an offer package; and describes the evaluation methodology the Government will use in making its award decision.

The SFO boilerplate template contains a series of paragraphs, mandatory and non-mandatory, organized by sections. Following the PBS policies in the nonprinting blue text instructions contained throughout the template, Leasing Specialists build the boilerplate SFO by choosing the appropriate paragraphs and filling in the blanks to reflect the requirements of the procurement.

Individual SFO revisions or the addition of SFO paragraphs and region-specific paragraphs should be reviewed by the Office of Regional Counsel for consistency and legal sufficiency before inclusion.

c. Procurement Summary

The Procurement Summary (template attached to this chapter) provides the market a clear, concise, and immediate understanding of the requirements of the Government. The summary was developed in response to leasing industry forums and requests that GSA provide a "snapshot" view of what and when the Government was seeking space. The summary provides all of the critical information to a potential Offeror "at a glance" and negates the need for reading multiple pages within the document to determine if they can meet the requirements of the procurement. The summary has all of the key elements listed in an easy to read grid, such as square footage, delineated area, parking requirements and term of the lease (firm and non-firm term). The summary also lists the offer due date and the occupancy date, important dates for the market to see and know at this stage.

The Procurement page must be included with every Solicitation for Offers package by printing and attaching to the front of the Solicitation for Offers and Lease package for all types of leases and lease models, including electronic packages.

d. Attachments to the SFO—Selection of Forms

The Leasing Specialist must attach other important documentation to the boilerplate in order to complete the SFO package. Leasing Specialists must use the clauses and provisions on the appropriate version of the GSA Forms 3516, 3517, and 3518, although use of the forms themselves is at the Lease Contracting Officer's discretion.



Solicitation Process

2. How to Build the Solicitation for Offers

Standard Form 2 and a TI SFO must be used for leases greater than \$100,000 net annual rent. Customized SFOs for a class of activities or a specific client may also be used when approved by PBS Central Office (for example SFOs for the FBI). Leasing Specialists may not use GSA Forms 3517A and 3518A because they do not contain all of the provisions and clauses required by law for leases exceeding the SLAT. The Lease Contracting Officer may, however, determine that it is appropriate to delete or modify any of the GSAR real estate clauses numbered 1 through 21 on Form 3517 (or 3517B).

- **Solicitation Provisions.** The Solicitation Provisions (GSA Form 3515 or 3516A) outline the basic ground rules for all lease procurement actions. Key definitions and instructional information are found here covering such topics as late proposals, parties authorized to execute leases, protests, and floodplains.
- **General Clauses (Acquisition of Leasehold Interests in Real Property).** The General Clauses (GSA Form 3517 or GSA Form 3517B) govern the lease in the post-award and post-occupancy environment. The clauses within this document include the following categories: Definitions, General, Performance, Inspection, Payment, Standards of Conduct, Adjustments, Audits, Disputes, Labor Standards, and Subcontracting. It is important to remember that certain clauses are required by law, and cannot be altered, modified, or deleted. Many clauses can be altered when appropriate and advantageous to the government. However, in doing so, the Leasing Specialist or Lease Contracting Officer must ascertain whether the proposed deviation imposes unacceptable risk to the Government. Any proposed modification must be reviewed and approved by Office of Regional Counsell before approval by the Lease Contracting Officer. All approved modifications must be provided to all offerors.
- **Offer forms.** The Leasing Specialist must include all the forms to be filled out and returned by the offerors by the due date outlined in the SFO boilerplate. These forms, which are described under **part 3** of this desk guide, include:
 - [GSA Form 1364](#), Proposal to Lease Space, with instructions ([GSA Form 1364G](#));
 - [GSA Form 1217](#), Lessor’s Annual Cost Statement, with instructions;
 - [GSA Form 3518](#), “Representations and Certifications (Acquisition of Leasehold Interests in Real Property),” listing 11 required representations and certifications;
 - [GSA Form 12000](#), Prelease Fire Protection and Life Safety Evaluation for a Low Rise Office Building, or [GSA Form 12001](#), Prelease Fire Protection and Life Safety Evaluation for a High Rise Office Building; and
 - Prelease Building Security Plan.

Use of Forms and SFO

	Equal to or less Than \$100,000 Net Annual Rent	All other leases
Should use	<ul style="list-style-type: none"> • GSA Form 3626 • GSA Form 3517A or 3517C • GSA Form 3518A • Supplemental Requirements (if needed) 	<ul style="list-style-type: none"> • Standard Form 2 (SF2) • GSA Form 3516 or 3516A • GSA Form 3517 or 3517B (may delete or modify clauses 1-21 with approval) • GSA Form 3518 • (Use all forms above if not provided by



		other means) • TI or Standard SFO
May use	<ul style="list-style-type: none"> • TI-SFO in conjunction with SF2 • GSA Form 3516 or 3516A • Clauses 1-21 from GSA Form 3517 or 3517B 	• Customized SFOs
Don't use	<ul style="list-style-type: none"> • GSA Form 3517 or 3517B except clauses 1-21 • GSA Form 3518 	<ul style="list-style-type: none"> • GSA Form 3517A or 3517C • GSA Form 3518A

e. SFO Review and Approval by Agency

Before issuance to any offeror, the responsible Leasing Specialist must forward the SFO to the requesting agency for approval. The Leasing Specialist should indicate a deadline for agency response, allowing adequate time for a thorough review. The Leasing Specialist will incorporate appropriate changes into the final version of the SFO. In the event the Leasing Specialist does not receive timely comments and/or approval from the agency, the Lease Contracting Officer may decide to issue the SFO and address changes via an amendment.

3. SFO Distribution

This step produces documentation required for Lease File Tabs III D and E.

**PBS Milestone 6:
Design RFP Issued**

Unless a SLAT lease is used, SFOs should not be handed out during the market survey. The survey may reveal certain weaknesses in the draft SFO, which may need revision before issuance.

Once the SFO has been finalized, the Leasing Specialist should distribute the SFO with a cover letter to offerors. The Lease Contracting Officer has ultimate responsibility to verify and validate the SFO before it is released. The SFO should reflect the name of the Lease Contracting Officer.

The SFO Distribution List identifies the date the SFO was issued, as well as the name and contact information of everyone receiving an SFO—all potential offerors, client agency personnel, FPS, GSA Property Manager, and anyone else as determined by the Lease Contracting Officer who received an SFO—and the date the SFO was issued. This list should include all contact information for the potential offerors.

This list (or transmittal letters) and a copy of the approved SFO should be attached to Lease File Tab III E.

If the SFO is issued electronically (via CD-ROM or email), a copy of the disk must be filed in Lease File Tab III D, as well as a paper copy of all issued

SFO requests

Current Lessors that are incapable of meeting the requirements of the SFO may be issued a letter explaining that they may not meet the current requirements.

However, anyone who requests an SFO—including the current Lessor and those that may be determined not to meet the requirements—must be given an SFO.



documents.

4. Amending the SFO

Any addition, alteration, or deletion of information contained in an SFO after it is released to the market is accomplished through a written amendment. Leasing Specialists should strive to prepare a careful and thorough SFO, so that amendments are the exception, rather than the rule.

An amendment must:

- Reference the SFO number;
- Be consecutively numbered;
- List the city and state;
- Bear receipt acknowledgment by the recipient; and
- Be sent to all offerors in an open procurement or to all interested parties if the procurement has not yet opened.

The amendment is incorporated into the SFO and will become part of any existing or subsequent lease document.

Please note that a material change in requirements may require more than an amendment. A new advertisement or a cancellation of the solicitation may be required.

Part 4: Pre-Negotiation/Negotiations Process

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1. Overview

Offers rarely contain perfect solutions to the solicitation. The goal of negotiations is to reach an agreement representing the best value to the Government, in terms of price and other factors. In most transactions, the Leasing Specialist negotiates with the offeror to establish a fair and reasonable price and agree on all contract terms. Negotiations must confirm that GSA and the offeror all agree on the essential elements of the contract, such as its term, the services that the offeror will provide, and the escalation base. However, leases can be awarded based on initial offers if the solicitation allows by the inclusion of Alternate 1 to 552.270-1 Instructions to Offerors—Acquisition of Leasehold Interests in Real Property., This decision should normally be made during acquisition planning and must be made prior to issuance of the SFO.

The negotiation process involves evaluating and analyzing proposals to verify that all required parts are included and assessing the offeror's responsiveness; determining the competitive range; preparing the initial abstract of offers; notifying offerors of deficiencies; conducting direct negotiations with each offeror; compiling required documentation; requesting final proposal revisions; and determining the offerors responsibility.

When conducting negotiations, the roles must be clear. The Leasing Specialist is responsible for conducting negotiations with all offerors in the competitive range (see "Determining Competitive Range"). The Leasing Specialist or broker contractor is the only party authorized to negotiate with an offeror concerning the space to be leased. The competitive range is an initial baseline for judging the reasonableness of cost or price estimates. It is discussed further below in "[Screening Offers Received and Subsequent Negotiations](#)" under "Determining Competitive Range."

Preparation is essential for successful negotiations. Before engaging offerors in negotiations, GSA must establish its initial negotiation position. Negotiation objectives (see "[Setting Negotiation](#)

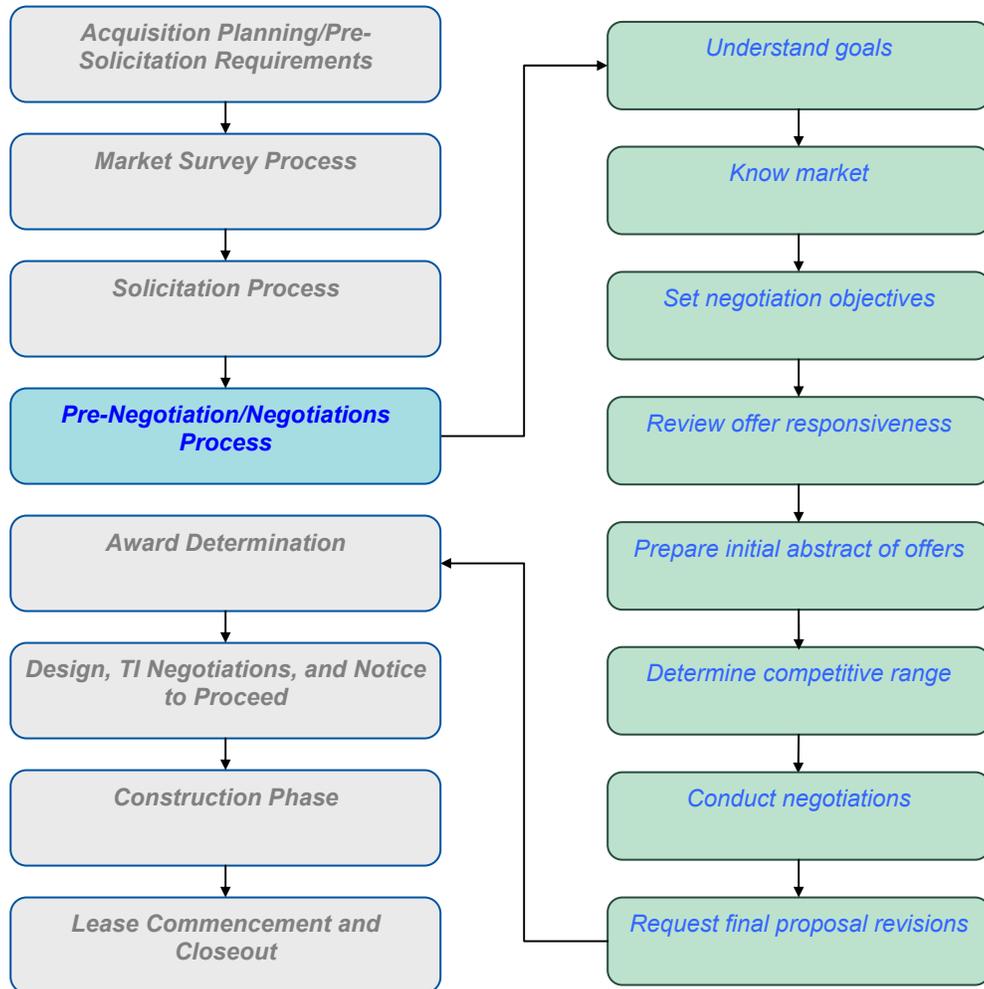
Pre-Negotiation/Negotiations Process

↳ 1. Overview

Objectives) are usually targets within a price range that the Leasing Specialist expects offered rates to fall within, based on market research. Pre-negotiation steps include understanding the solicitation goals, knowing the market, and setting negotiation objectives.

The following illustration shows the steps in pre-negotiations and negotiations. Each step below is linked to the section that discusses the topic.

Pre-Negotiations and Negotiations Process



2. Preparations for Negotiations

a. Understanding the Goals

Depending on the procurement method stated in the SFO, proposals may be evaluated on price alone, or a combination of price and technical tradeoffs, which are also referred to as award factors (see “[Reviewing Final Offers](#)”). If you are conducting a best-value tradeoff procurement, consult the desk guide section on award factors in Chapter 13. These specific award factors must be identified in the SFO (TI-SFO).

It is especially important to have knowledge of these areas of preparation:

Fair and Reasonable Price

It’s a requirement that you as the Lease Contracting Officer can affirm that the price is fair and reasonable.

- Market—familiarize yourself with the market survey findings and other background information.
- The requirements—strive to thoroughly understand the needs of the client agency and other stakeholders.
- The choices—options that arise when you compare the requirements with the market. As recent trends provide increasing frequency of procurements in which Government requirements are beyond market standards (because of security, LEED, accessibility, or other needs) or if new construction is possible, consult with technical experts as necessary to quantify what cost impact that is likely to have to procurement beyond the market range and factor that into the negotiation objectives.
- The process—anticipate the upcoming steps you will need to take, and be familiar with best practices for conducting negotiations.
- The goals—develop a clear understanding of the specific goals you want to achieve during negotiations. Know what you want, and what you are willing to trade off to reach an agreement. Keep in mind the target and maximum prices. Set your position and hold to it. Re-familiarize yourself with the SFO.
- The other party—know what offerors want, their needs, and what they are willing to trade off to reach an agreement.
- The strengths and weaknesses of the Government's position—your relative bargaining position is likely to be stronger in competitive solicitations, when you can afford to take a harder line, as opposed to a sole source scenario.

b. Market Knowledge

Market research plays a central role in setting negotiation objectives by helping to identify ranges of fair and reasonable costs for the type of space desired. In addition to information gathered during the market survey, Leasing Specialists can refer to the sources below.

- Competing offers received in response to the SFO, and documenting this comparison;
- Research commercial trade publications to become familiar with the market. Consult the Building Owners and Managers Association (BOMA) for operating costs; the Means Cost Manual for construction costs; the Society of Industrial and Office Realtors (SIOR); Reis Inc.; and market reports such as those from CoStar and Loopnet.
- Current market information, including rental quotes and cost estimates obtained on the market survey and from real estate market data sources (such as CoStar or Torto Wheaton Research (TWR)); and/or
- Recent GSA and/or private-sector lease contract rental rates.

Is TI in the rate?

Typically, the private sector includes some TI in the stated shell rate, so make sure to ask for the breakdown from any brokers or owners you consult. This is important because we could be leaving money on the table (the shell rate could include a TI amount).

c. Setting Negotiation Objectives

Lease file checklist Tab IV.

Before engaging offerors in negotiations, GSA must establish its initial negotiation position. Negotiation objectives typically are targets within a price range that the Leasing Specialist expects rates to fall into, based on the market research. The Lease Contracting Officer's determination of a fair and reasonable price should parallel these price objectives.

The scope and depth of objectives are directly related to the project dollar value, importance, and complexity. For example, prospectus projects demand greater background information and may involve subcontracting goals, green initiatives, or other issues that are not factors on smaller contracts.

Develop written negotiation objectives for the overall acquisition and specific to each component of the offers received (operating costs, TI, shell). Leasing Specialists must develop negotiation objectives for the following items:

- Shell rental rate;
- Tenant improvements;
- Building-specific security
- Amortization rate;
- Base cost of services;
- Base year taxes;
- Hourly overtime rate;
- Adjustment for vacant premises; and
- Parking.

Pricing Objectives

Objectives must be established before negotiations.

3. Screening Offers Received and Subsequent Negotiations

Negotiations are conducted on behalf of the Government by the Leasing Specialist or broker contractor. GSA negotiates the rental price for the initial term, any renewal periods, and any other aspect of the offer as deemed necessary. Oral or written negotiations should be pursued with all offerors that are within the competitive range by the due date.

The Leasing Specialist must keep records on all communications and documents from the initial contact through award. This includes meeting notes, emails, the abstract of offers, the request for final proposal revisions, and similar documents.

a. Reviewing Offers

The Leasing Specialist must evaluate offers for completeness and technical compliance. A general assessment considers the following:

- Is the offer timely as defined in the Solicitation Provisions, GSA Form 3516?
- Is the offer complete? (Have all forms been completed?)
- Does the offer comply with the SFO terms and conditions?
- Does the offer satisfy all of the Government's requirements?
- Are the offerors' mathematical calculations correct?
- Does measured space meet the requirement?

Abstract of Offers

The Abstract of Offers is a requirement of the Lease File as well as a useful tool that captures the capability of each offeror and assesses their ability to meet the requirements in the SFO. It compares each proposal and revised proposal against the SFO requirements, and helps identify deficiencies with each offer by determining whether the offer meets the terms of the SFO. The Leasing Specialist should create the abstract for each offeror in eLease and update it throughout the process.

The SFO *Section 3.0 How to Offer and Submittal Requirements* describes in detail offer submittal requirements. Below is also a summary of items involved in assessing offer compliance, most of which are documented on the Abstract of Offers.

Scaled Plans for Space Offered

Reviewing the scaled drawings is a critical part of the offer review to verify that space being offered meets the requirements of the SFO. The following are things to consider when reviewing the floor plans:

- The block of space offered is the same space that was toured.
- Plans are to scale and that all structural elements (stairs, elevators, columns, load-bearing walls, windows, restrooms, etc.) are shown and meet ABAAS and fire safety standards.
- The space offered meets client agency special requirements (layout and configuration specifications).
- Measured floor plans confirm that the space is within SFO square footage requirements.

Quick Tip

Don't compare one offer against another. Compare each offer against the market and the solicitation.

Don't forget to update the abstract of offers each time an offer is received or revised.

Conversion Matters—Quick Validation

The rates for rentable square feet (RSF) should be less than the rates for ANSI/BOMA Office Area (ABOA) square feet.

GSA Form 1364, Proposal to Lease Space

GSA Form 1364 contains the rental information and other critical offer elements. In addition to verifying that all mathematical calculations and building information—including address, square footage, and parking—are correct, the following should be considered:

- Rentable (RSF) and ANSI/BOMA Office Area (ABOA) square feet and common area factor are in alignment.
- Cost components (shell, operating, and TI) are in both rentable and ABOA rates, and the Building Specific Security rate is provided.
- The TI amount meets SFO requirements, and rental reflects the TI amortization term.
- Parking capacity number and cost are in compliance with the SFO.
- Lease term and cancellation rights are in compliance with the SFO.
- Applicable fees and other costs are provided.
- Deviations are noted and will need to be addressed.
- The form is signed and dated by an individual having authority to bind the offeror.

GSA Form 1217, Lessor's Annual Cost Statement.

GSA Form 1217 captures an offeror's variable and fixed operating cost expenses for both the building in its entirety, and the offered space, primarily for the purpose of determining the base rate for future CPI operating cost escalations.

Lines 5 through 26 of the form identify the components of the operating cost portion of the rental rate. The total amount listed on line 27, column B, when divided by the rentable square footage, represents the Lessor's total cost to provide services and utilities to the Government's space, also reflected on GSA Form 1364. Lines 28 through 32 list ownership charges (taxes, insurance, reserves for replacement, etc.) that are not subject to CPI escalations, but are subsumed in the shell rate. This form should be thoroughly reviewed for full and fair allocation of utilities and services.

GSA Form 3518, Representations and Certifications

GSA Form 3518 addresses socioeconomic and other statutory requirements associated with Government contracts, through offeror representation and/or self-certification. The form must be completed in its entirety, including the following critical elements:

- Offerors represent on this form whether they are classified as a small or large business. For leases, [GSAM 570.102](#) defines a small business as one (including its affiliates) organized for profit, independently owned and operated, not dominant in the commercial lease market, and that has average annual gross receipts below current thresholds (\$20.5 million) for the 3 preceding fiscal years.
- Offerors identified as other than small businesses are required to submit small business subcontracting plans for contracts with a gross value of \$550,000 (FAR 19.704). The plans should be collected by the Leasing Specialist and forwarded to the GSA regional Business

Pre-Negotiation/Negotiations Process 3. Screening Offers Received and Subsequent Negotiations

Service Center (BSC) for review as early as possible. Any necessary changes must be discussed with the offeror during negotiations. The successful offeror's plan must be approved by the BSC. No contract may be awarded until the Lease Contracting Officer approves an acceptable plan, which must then be incorporated into the contract. If the plan submitted is unacceptable, the small business coordinator should be notified.

- All offerors must identify their ownership structure (corporation, partnership, etc.) and provide the corresponding Tax Identification Number (TIN). Additionally, all offerors must register with Dun & Bradstreet, Data Universal Numbering System (DUNS) and in the Central Contractor Registration System (CCR). Acceptable information must be for the owner of record; therefore, the Leasing Specialist must verify the validity and consistency of the information as compared with the owner of record in the offeror's offer. The Leasing Specialist should not accept without question information pertaining to a parent company or umbrella corporation. Leasing Specialists should inform offerors that CCR registration requires annual updating in order to maintain an active CCR status.

This form must be signed and dated by a person having authority to bind the offeror.

GSA Form 12000/12001 Pre-Lease Fire Protection and Life Safety

In order to confirm that the proposed space conforms with the requirements under NFPA 101 and the Federal Fire Safety Act of 1992, offerors are required to submit GSA Form 12000 (low-rise occupancy) or 12001 (high rise-occupancy) Prelease Fire Protection and Life Safety Survey Evaluation, along with one or more scaled drawings of the entire floor or floors in which space is being offered in the building and of the floor level of exit discharge identifying all exits, stairs, and elevators. These forms identify relevant building information such as construction type, floor location, fire suppression and detection equipment, etc.

The Leasing Specialist should forward each offeror's GSA Form 12000/12001 and floor plans to a GSA fire protection engineer or contractor for review and comment. Feedback provided must be considered and discussed with the offeror for clarification or corrective action as required. In the event that the offeror is awarded the lease, the offeror should be advised that evidence of any corrective action required by the Government will be a prerequisite to the Government accepting the space as substantially complete.

Equivalent Level of Safety Evaluation Procedures

When an offeror proposes an equivalent level of safety, the Leasing Specialist must require the offeror to submit, for Government review and approval, a fire protection engineering analysis, performed by a qualified fire protection engineer, demonstrating that an equivalent level of safety for the offered building exists. (See 41 CFR 102-80) for guidance on an equivalent level of safety analysis.)

Prelease Building Security Plan

The Leasing Specialist must submit the completed Prelease Building Security Plan, which also identifies relevant building characteristics, to the Federal Protective Service (FPS) for review. FPS may use this to conduct a physical inspection and may provide the Leasing Specialist with information or recommendations that may help the Leasing Specialist with negotiations. This notification must be in the lease file.

Evidence of Capability to Perform

Offerors are also required to submit three items to demonstrate that they have the capability to perform the requirements in the SFO. The first is satisfactory evidence of at least a conditional

commitment of funds in an amount necessary to prepare the space. The *Evidence of Capability to Perform* paragraph in the SFO Section 3 identifies the minimum elements that the commitment must include. This commitment is a critical factor in the Financial Responsibility Determination discussed in Part 5: Award Determination. The second item that offerors must submit is evidence of compliance with local zoning laws. Lastly, offerors must submit evidence of ownership or control of the site.

Additional Submittals

In addition to those items identified above; offerors must submit a Seismic Safety Certification; tax information; an amenities map; a parking plan; and architectural plans for modernization, if the offered building does not meet the requirements of SFO Paragraph *Quality and Appearance Building*. These items are more fully described in SFO Section 3.0 *How to Offer and Submittal Requirements*.

The process of examining offers to make sure they are responsive and competitive may involve communications with offerors under the guidelines of FAR 15.603. Be sure to understand the difference between “discussions,” “clarifications,” “communications,” and “negotiations/discussions.” The Leasing Specialist and broker can negotiate with offerors, but the Lease Contracting Officer has overall responsibility for conducting and recording negotiations.

Review each offer concerning the handling of services and utilities. Fully serviced leases are preferred, and every effort should be made to encourage them as appropriate. Since Government-furnished services and utilities become the responsibility of the local GSA field office, adding extra costs and more workload, the ramifications of accepting less than fully serviced leases should be given serious consideration before proceeding with negotiations on a less than fully serviced lease. Such offers are considered non-responsive when the SFO does not allow for alternate offers or non-fully-serviced offers.

Excluded Parties List System

GSA must also ascertain that the offeror has not been disqualified or excluded from participation in Federal contracts. The primary source for determining the offeror’s status is the EPLS—Excluded Parties List System (formerly known as the “debarred bidders list”). It was established to verify that agencies do business only with responsible contractors and do not allow a party to participate if any executive department or agency has debarred, suspended, or otherwise excluded that party from participation.

Leasing Specialists must review the EPLS at least twice—after receiving offers, and before award. They must verify the offeror’s statements appearing in form 3518, Representations and Certifications, under paragraph 7, “Certification Regarding Debarment, Suspension, Proposed Debarment, and Other Responsibility Matters.”

The EPLS is accessible online at <https://www.epls.gov/>. Guidance for using EPLS is found in FAR Subpart 9.4, “Debarment, Suspension, and Ineligibility.” The Department of Treasury Specially Designated Nationals List (SDN) has been incorporated into the ELPS. Apparently the list includes many names that can trigger false reports on individuals with common names. Therefore, if the offeror is listed as an SDN, contact the Office of Real Estate Acquisition who will coordinate with the Office of General Counsel to determine whether this is the individual actually excluded.

b. Determining Competitive Range

The competitive range makes the procurement process more efficient by reducing the potential offers to just those most highly rated.

The Lease Contracting Officer sets the competitive range, usually drawing a dividing line between competitive and non-competitive offers where there is a natural break among the proposals. GSA must negotiate with all offerors who fall within the competitive range.

The Lease Contracting Officer may eliminate offerors from the competitive range if deemed appropriate in either best value trade-off or lowest priced technical acceptable acquisitions.

The competitive range also establishes an initial baseline for judging the reasonableness of cost or price estimates. Armed with this information, the Lease Contracting Officer can begin to prepare for negotiations.

If the Lease Contracting officer sets a competitive range, then he or she must provide notification to excluded offerors in accordance with [FAR 15.503\(a\)](#) and [FAR 15.306\(c\)](#). The competitive range is established by the Lease Contracting Officer on the basis of cost or price and other factors (if any) that are stated in the SFO and includes all of the most highly rated proposals, unless the range is further reduced for purposes of efficiency. Offerors who are not included in the competitive range must be notified in writing.

c. Conducting Negotiations

As offers are evaluated for completeness and accuracy, some issues must be dealt with immediately. If an offeror clearly made an error or omitted important information from the offer, the offeror must be contacted and asked to correct the submission and/or submit the forms or data missing from the offer by a set date. Errors and omissions must be listed for each offeror and can be addressed during discussions. Leasing Specialists or broker contractors must conduct independent negotiations with each offeror in the competitive range. Advise offerors orally and in writing of weaknesses, significant weaknesses and deficiencies in their offers.

All offerors will receive a reasonable opportunity to submit any cost or price, technical, or other revisions to their offer that may result from the negotiations. However, negotiations will be closed with submission of final proposal revisions (“best and final” offers).

Negotiations should reflect an evaluation based on three general types of analysis:

- Price analysis—a comparison of the offeror’s prices to something external to the proposal. Example: total rental rate compared to market rates.
- Offer cost review—evaluating on an element-by-element basis the costs supporting the proposal. For example: shell rate, parking rates, fees, amortization rates, and concessions offered on GSA Form 1364, the operating costs listed on Form 1217, or land and construction costs provided for lease construction projects.
- Technical analysis—comparison of the offeror’s technical proposal to the specifications and requirements, in addition to the non-price related award factors if included in the SFO. (See Chapter 13 on source selection.)

When to Negotiate?

While GSA has the authority to award without negotiations, Lease Contracting Officers should always assess the potential risks of awarding without negotiations or discussions.

Quick Tip

Make sure the person filling out and signing the form has authority to do so and can enter into negotiations.

A primary goal is to confirm that offers received comply

with the requirements stated in the SFO. A great deal of communication with the offeror centers on ascertaining that submitted proposals meet this goal. Alternative proposals may be considered if allowed by the SFO and it is determined that they meet the intent of the SFO/customer's requirements. If an alternative proposal is acceptable, contact the Office of Regional Counsel to discuss how material the change is and whether an amendment to the SFO is needed to allow all offerors to compete on the alternative basis.

Alternative offers may be received that amend the General Clauses. If such offers are received, the Contracting officer must determine if the changes are in the Government's best interest. If it is determined that the changes are in the best interest of the Government, the Contracting Officer must amend the SFO to allow all offerors to bid on the same amended General Clauses. If it is determined that the changes are not to be allowed, the Contracting Officer should advise the offeror that failure to conform to the General Clauses without change is unacceptable and that the offer will be deemed ineligible for award for failure to meet the requirements of the SFO. Material changes made in the final proposal revision may be detrimental to the offeror and should be reviewed with the Office of Regional Counsel.

A further important goal is to ascertain that the offered rate and corresponding elements of the proposal are fair and reasonable.

Keep in mind that minor items should not be allowed to hold up the negotiations (see [FAR 15.405\(b\)](#)). Rather than letting a single issue stall the entire process, look at the overall rate the Government will pay, to determine whether the overall offer remains fair and reasonable.

Best Practices in Negotiating

Skillful negotiation is an art that grows with experience. However, several established best practices will guide the Leasing Specialist or Lease Contracting Officer during negotiations. Make use of these techniques:

- The Leasing Specialist should understand the SFO and be prepared to explain to offerors the SFO, agency requirements, and the offer process as needed.
- Plan and conduct meetings with offerors professionally and efficiently. Make an appointment with each offeror, allowing at least an hour. Negotiations can be held via phone, in writing, or in person.
- Ask questions and engage in "active listening." Request supporting documentation.
- Confirm that the offeror knows that a proposal that does meet a minimum requirement will be ineligible for award.
- Make sure all discussions are documented for each offeror, and follow up with each offeror in writing. Obtain clarifications, changes, and concessions in writing.
- For competitive actions, there can be no final agreement until you have received final proposal revisions from all offerors and negotiations are closed.

Quick Tip

It may be helpful to do a preliminary present value analysis

Negotiating Practices Prohibited in the FAR

Several approaches or practices must be avoided. Do not engage in any practices prohibited by [FAR 15.306\(e\)](#), which forbids:

- Favoring one offeror over another.
- Revealing an offeror's technical solution, including unique technology, innovative and unique uses of commercial items, or any information that would compromise an offeror's intellectual property to another offeror.
- Revealing an offeror's price without that offeror's permission. However, the Lease Contracting Officer may inform an offeror that its price is considered by the Government to be too high, or too low, and may reveal the results of the analysis supporting that conclusion. Any determination that an offer is too high or too low must be made relative to the market, not in comparison to other offers received. It is also permissible, at the Government's discretion, to indicate to all offerors the cost or price that the Government's price analysis, market research, and other reviews have identified as reasonable ([41 U.S.C. 423\(h\)\(1\)\(2\)](#)).
- Revealing the names of individuals providing reference information about an offeror's past performance.
- Knowingly furnishing source selection information in violation of [FAR 3.104](#) and [41 U.S.C. 423\(h\)\(1\)\(2\)](#).

Avoiding Pitfalls

To preserve procurement integrity Leasing Specialists must never reveal the number of offerors or the other prices being offered in an attempt to "auction" the award. Leasing Specialists have a fiduciary responsibility to our client and the taxpayers to thoroughly negotiate each aspect of an offeror's proposal to provide the best value to the Government.

4. Final Proposal Revision

After conducting negotiations, the Lease Contracting Officer will send offerors a request for final proposal revisions. Before doing so, the Lease Contracting Officer should have at least one responsive offer.

A sample letter requesting final proposal revisions can be found in eLease.

The final proposal revision is the last opportunity for offerors to revise their proposals before award. After an offeror submits its final proposal revision, no further negotiations are allowed with the offerors—only clarifications to achieve an accurate understanding.

Part 5: Award Determination

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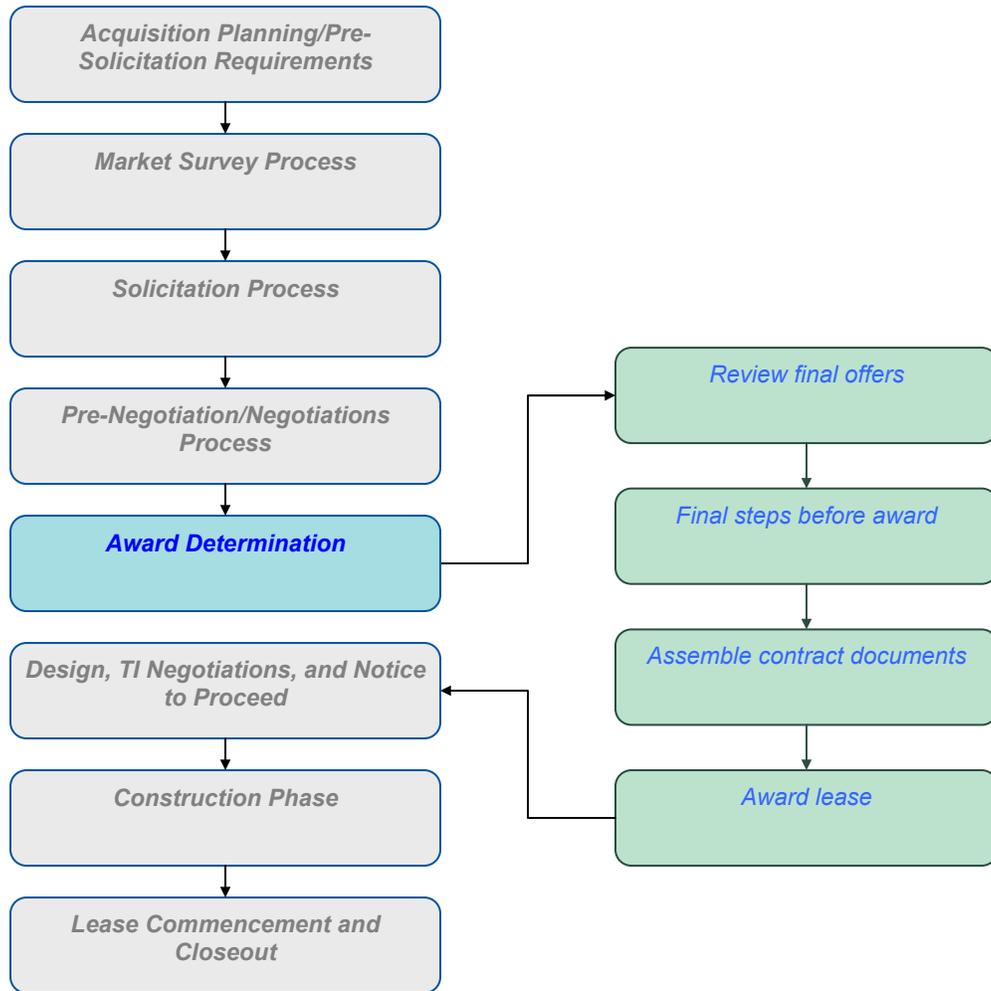
1. Overview

This chapter explains the steps for determining the successful offer and awarding the lease contract.

Upon receipt of final proposal revisions, GSA completes a final analysis and ranks offerors using the criteria specified in the SFO. Several pre-award requirements are reviewed that deal with the small business subcontracting plan (if required), equal employment opportunity compliance, affirmative action plan for the disabled, and the excluded and blocked parties lists. GSA assembles all of the lease contract documents. Once they are executed by GSA and the Lessor, unsuccessful offerors are notified, and a synopsis of the lease award is published on [FedBizOpps](#).

These steps are shown in the flow chart below. Each step label is linked to the section that discusses the topic.

Successful Offer and Award Determination Process



2. Reviewing Final Offers

This step produces documentation for Lease File Tab V.

If using the best-value tradeoff method, the Leasing Specialist should follow the guidance in Chapter 13, Source Selection. Leasing Specialists must:

- Evaluate offers solely in accordance with the factors and subfactors stated in the SFO.
- Evaluate prices and document the lease file to demonstrate that the proposed contract price is fair and reasonable.

a. Present Value Analysis

The purpose of the present value analysis (PVA) is to compare unequal rent streams among offers to determine the lowest offer. The present value amount provides a single cost representation of various rent streams, variations in operation costs, lump sum payments, and amortizations that allows the Government to understand the true price of all offers in today's (present value) dollars. The PVA calculation compares offers based on an ANSI/BOMA usable square foot rate and standard escalation assumptions. The Leasing Specialist and broker contractor should always use the eLease PVA calculator to create a permanent record of the offers within eLease. The manual PVA calculator should be used only in rare circumstances.

Update the Abstract of Offers

Update your abstract of offers in eLease to reflect the final offers. This will generate data feeding into the present value analysis (PVA) discussed in this section.

b. Historic Preference

Price Preference for Historic properties

The Government will compute price evaluation preferences by reducing the prices of the offerors qualifying for a price evaluation preference by the applicable percentage. The price evaluation preference will be used for price evaluation purposes only. The Government will award a contract in the amount of the actual price proposed by the successful offeror and accepted by the Government.

To qualify for a price evaluation preference, offerors must provide satisfactory documentation in their offer that their property qualifies as one of the following:

1. A historic property within a historic district.
2. A non-historic developed or undeveloped site within a historic district.
3. A historic property outside a historic district.
4. A property that is eligible for inclusion in the [National Register of Historic Places](#).

See guidance and examples in "Procedures for Giving Price Preference to Historic Properties in Lease Acquisitions" in Appendix C.

Evaluating Historic Price Preference

The Government gives a price preference to historic property, based on the total annual square foot (ANSI/BOMA Office Area) cost to the Government. This preference is calculated as a reduction in the PVA for the historic property as follows:

1. First to suitable historic properties within historic districts, a 10 percent price preference.
2. If no suitable historic property within a historic district is offered, or the 10 percent preference does not result in such property being the lowest price technically acceptable offer, the Government gives a 2.5 percent price preference to suitable non-historic developed or undeveloped sites within historic districts.

Award Determination

↳ 3. Final Steps Before Award

3. If no suitable non-historic developed or undeveloped site within a historic district is offered, or the 2.5 percent preference does not result in such property being the lowest price technically acceptable offer, the Government gives a 10 percent price preference to suitable historic properties outside historic districts.
4. Finally, if no suitable historic property outside historic districts is offered, no historic price preference is given to any property offered.

c. Revise Scoring Analysis

The Leasing Specialist must initiate and receive the final scoring analysis from the Portfolio group before award.

3. Final Steps Before Award

This section will result in documentation required for the following Lease File V and VI.

Once the successful offeror has been determined, the Leasing Specialist must coordinate several actions.

a. Pre-award Requirements

Once an apparent successful offeror has been identified, the Leasing Specialist must coordinate several pre-award requirements.

Small Business Subcontracting Plan

The Leasing Specialist should confirm that there is an approved small business subcontracting plan in place before award.

Small business subcontracting plans are required only for large businesses.

Thresholds

Small business subcontracting plans are required only for lease procurements with an aggregate contract value of \$550,000 or more.

Offerors self-certify on [GSA form 3518](#) whether they are a small or large business, according to their dollar volume of business and volume of production. For leases, [GSAM 570.102](#) defines a small business as a concern, including affiliates, that:

- Is organized for profit;
- Is independently-owned and operated;
- Is not dominant in the field of leasing commercial real estate; and
- Has average annual gross receipts for the preceding 3 fiscal years which are less than the size standard established by the Small Business Administration pursuant to 13 CFR Part 121.

The size standards may be found at <http://www.sba.gov/size/sizetable2002.html>. For most lease procurements, the NAICS code is 531190 (see footnote number 9). The current threshold is \$20.5 million annual average receipts for the 3 preceding fiscal years.

Other Notifications

Several issues require special notifications. For example, the Randolph Sheppard coordinator should be contacted during SFO preparation and after award.

Equal Employment Opportunity Compliance Review

GSA Form 3517 contains EEO compliance provisions that pertain to Federal leases. Department of Labor regulations ([41 CFR 60](#)) require contractors to develop a written affirmative action program for each of their establishments. They must analyze and document minority group representation in all job categories, hiring practices during the past year, and employee upgrading and promotion during the past year.

If the contemplated award is less than \$10 million and the offeror has certified compliance with the EEO requirements, the Lease Contracting Officer may consider the offeror responsible as to nondiscrimination. If the award will be greater than \$10 million, GSA must submit the following information to the appropriate Department of Labor regional Office of Federal Contract Compliance Programs (OFCCP):

- Names and addresses of the offeror and each known subcontractor;
- Name of the person signing the offer;
- Dollar amount of the offer;
- Date when the bid will expire; and
- Date by which the Lease Contracting Officer must receive advice from the OFCCP in order to award a valid and binding contract. Note, the OFCCP must respond within 15 days or approval can be assumed.

The OFCCP will review the available information on the prospective prime contractor's compliance status and will notify the Lease Contracting Officer or approving officer of any deficiencies.

The Lease Contracting Officer will notify the offeror of any deficiencies found and direct the offeror to coordinate further action with the OFCCP. The contract cannot be awarded unless the OFCCP notifies the Lease Contracting Officer that the offeror has responded or has agreed to respond satisfactorily to the OFCCP requirements.

b. Financial Responsibility Determination

The Lease Contracting Officer must make a financial responsibility determination. This is needed to determine, among other things, whether offerors have the financial capability to perform during the lease.

- Responsibility criteria and standards are stated in [GSAM 570.108](#), and FAR 9.2. The primary source for financial responsibility, a signed letter on bank letter head from a third party bank

Award Determination

↳ 3. Final Steps Before Award

official, will suffice for the costs in question. The Leasing Specialist may want to consider asking for the following to be addressed in the bank letter:

- Cash assets;
- Accounts receivable (moneys owed the offeror);
- Cash value of all inventories;
- Worth of real property (land and improvements) and equipment owned by the offeror; and
- Current liabilities, including offeror debts, stockholders equity, or amount of stock held by shareholders, and retained earnings to be reinvested back into the company.
- Another potential source is the Pre-award Survey of a Prospective Contractor (SF-1403), which can be submitted to the GSA, Financial Information Control Branch. The form is not tailored to a lease acquisition, and some sections will not apply. The Leasing Specialist should provide estimated annual and total contract value on the form and any other financial information that would be useful to the finance office. The current version of the SF-1403 can be downloaded from the GSA Forms Library at <http://www.gsa.gov/Portal/gsa/ep/formslibrary.do?viewType=DETAIL&formId=BCEC2472F6CB224385256A1F0068EC48>.

If an offeror is found to be nonresponsible, that determination must be documented in the lease file.

c. Price Negotiation Memorandum (PNM)

Lease File Tab VI

A price negotiation memorandum (PNM) is required for all lease actions, including post-award TIs. The PNM should reflect an accurate record of all negotiations with each offeror. It summarizes negotiations and explains why an award was or was not made, including go/no-go factors (floodplains, CCR). Anyone reading the document should be able to understand the issues of negotiation and the outcomes, whether the offer was fair and reasonable, and the basis for that determination.

A sample PNM can be found in Appendix C. (The sample is structured for a lease holdover extension, but much of the same structure is useful for lease procurement actions.)

The PNM documentation must include the following:

- The purpose of the negotiation.
- A description of the acquisition, including appropriate identifying numbers (e.g., SFO number). The description of the project should be the goal (extension, new/replacing, succeeding, etc.).
- A summary of the contractor's proposal, any field pricing assistance recommendations, including the reasons for any pertinent variances from them, the Government's negotiation objective, and the negotiated position. When determination of price reasonableness is based on price analysis, the summary should include the source and type of data used to support the determination. Where the determination of price reasonableness is based on cost

analysis, the summary should address each major cost element, the major deficiencies with the original offer and how they were addressed. Additionally, the Leasing Specialist should include rate changes and critical changes for every iteration of the offer.

- Make sure the PNM covers modifications in accordance with SFO amendments.
- The most significant facts or considerations controlling the establishment of the negotiation objectives and the negotiated agreement, including an explanation of any significant differences between the negotiation objective and the agreement.

Documentation of Fair and Reasonable Pricing

The Leasing Specialist must document in the PNM whether prices are fair and reasonable by comparing; the apparent successful offer against:

- Competing offers received in response to the SFO;
- Negotiation objectives, and
- Any other information not captured during the negotiation objectives process (including Lease comparables (private sector or GSA lease rates))

d. Recommendation Letter and OA

The Leasing Specialist prepares a letter recommending the space for occupancy as well as a signed OA reflecting the final negotiated terms and conditions of the lease and submits it to the agency contact for signature before award. This procedure verifies that the client agency understands and agrees with the terms of the lease.

Note: The lease cannot be sent to the successful offeror before the return of an agency-approved OA.

**PBS Milestone 8:
Signed Agreement
(OA or RWA)**

e. Obtain BA53 funding validation

The Antideficiency Act prohibits involving the Government in any obligation to pay money before funds have been appropriated for that purpose.

The BA53 account is used to pay lessors for leased space. . Certification of available funds is performed after receiving final proposal revisions but before awarding the lease.

Get a Building Number
If this leased space is new to the inventory, be sure to get a PBS inventory system building number.

4. Assemble Lease Contract Documents

This step provides documentation for Tab VII of the lease file.

When GSA pre-award reviews have been completed, the Lease Contracting Officer drafts the lease agreement. Most commercial leases use contract documents provided by the Lessor, but in

Award Determination

↳ 5. Lease Award Process

GSA lease acquisitions the lessee (the Government) supplies its own documents. The Lease Contracting Officer is responsible for confirming that the lease is carefully prepared and properly reflects the understanding of the parties. The documents must carefully reflect all terms and details agreed to, including revisions or modifications of terms arrived at during negotiations.

Best Practice

Check the lease before execution to make certain that the Lessor has not made changes.

The Leasing Specialist should assemble the lease contract documents, which incorporate the understanding of the parties. Under GSA procedures, a lease must include the following:

- [Standard Form 2 \(SF 2\)](#), “U.S. Government Lease for Real Property”;
- The SFO and amendments;
- General Clauses (Acquisition of Leasehold Interests in Real Property) version that was included with the SFO;
- Required Representations and Certifications submitted by the successful offeror;
- Mutually agreed to Lessor clauses (deviations approved by the Lease Contracting Officer);
- Floor plans and legal description of the space that the offeror submitted in its offer; and
- Pertinent portions of the offer, such as renderings of the building, site plans, and/or a subcontracting plan if required.

Approximate vs. Exact Space

The SF-2 is a placeholder for several concepts that will be reconciled later. Examples include:

- Approximate versus exact square footage
- Occupancy date
- Rent commencement date
- Annual rent based on TI expenditure.

Create a single document (2 or more copies) that combines the SF 2, SFO, GSA Form 3517, GSA Form 3518, etc. All pages of the lease must be numbered and stamped for the offeror to initial.

5. Lease Award Process

Awarding a lease means creating a legally binding agreement with terms and conditions that GSA and the Lessor must honor. It obligates the Lessor to provide the stated space and services required by our client agency, and obligates the Government to pay the agreed amount in rent.

a. Successful Offer

The acceptance of the offer and award of the lease occurs upon execution (signing) of the lease by the Lease Contracting Officer and mailing or otherwise furnishing written notification of the executed lease to the successful offeror. The steps below outline the lease award process.

- Send a pre-award lease transmittal letter to the apparent successful offeror. The letter identifies the offeror as the apparent successful offeror and is accompanied by two copies of the proposed lease. (Keep an additional copy of the lease for the GSA lease file.) The space for “Date of Lease” on the SF-2 should remain blank until execution. This letter must be carefully drafted so that it cannot be construed as the actual lease award, which does not occur and become binding until execution by the Lease Contracting Officer.
- The intended awardee must sign both copies of the proposed lease, with signatures witnessed; initial every page of the lease and floor plans; and return both copies to GSA.
- The Lease Contracting Officer checks the lease page by page to make sure that no changes have been made to the contract. The Lease Contracting Officer executes both copies of the lease, initials all pages, and inserts the date in the “Date of Lease” space on the upper left of the SF-2 form.
- One signed copy is sent to the Lessor using a transmittal letter.
- The Leasing Specialist scans the lease into eLease.

b. Notify Unsuccessful Offerors

The Lease Contracting Officer must notify unsuccessful offerors in writing when their offers are excluded from the competitive range or eliminated from the competition. Within 3 days of award, the Lease Contracting Officer must notify the offerors whose proposals were within the competitive range but were not selected for award. Post-award notices and rejection letters must be sent to each unsuccessful evaluated offeror and must include the name of the official awardee and the rent rate accepted. Other information may be included as necessary and at the discretion of the Lease Contracting Officer.

Post award notices must include:

- The number of offerors solicited;
- The number of proposals received;
- The name and address of each offeror receiving an award;
- The items, quantities, and any stated unit prices of each award. If the number of items or other factors makes listing any stated unit prices impracticable at that time, only the total contract price need be furnished in the notice. However, the items, quantities, and any stated unit prices of each award shall be made publicly available, upon request.
- The reason(s) the offeror’s proposal was not accepted, unless the price information described above readily reveals the reason. In no event shall an offeror’s cost breakdown, profit, overhead rates, trade secrets, manufacturing processes and techniques, or other confidential business information be disclosed to any other offeror.

c. FedBizOpps Synopsis of Award

Notification of contract awards is important for keeping the public informed of how the Federal Government is spending tax dollars, and for allowing potential subcontractors to learn about

projects and provide the opportunity for them to make bids. It is the job of the Lease Contracting Officer or Leasing Specialist to synopsize awards when appropriate.

[FAR 5.301](#), “Synopsis of Contract Awards,” describes the procedures for releasing award information. The FAR requires GSA to publicly disclose any lease contract awards exceeding \$25,000 (in aggregate rent) that are likely to result in the award of any subcontracts. All awards for leased space are considered likely to result in the award of subcontracts, with the exception of those for parking.

Best Practice

Post the lease contract award on FedBizOpps within 1 week of making the award—sooner, if possible.

d. Debriefing/Protests

Conducting Debriefings

Requests for debriefing are handled in accordance with [FAR 15.506](#). In general, GSA must debrief any unsuccessful offeror from which GSA has received a written request within 3 days after the offeror received notification. The debriefing should take place within 5 days after GSA receives the request.

During the process of informing non-selected offerors why they were not selected, it behooves the Lease Contracting Officer to be as forthcoming as possible to the offerors and express appreciation for their effort and time. This cultivates a partnering environment between the Government and marketplace fostering an understanding of Government needs and processes that is likely to enhance future procurement competitiveness. It also serves to assuage an offeror who may be disappointed in the outcome and provide an adequate level of transparency to dissuade a potential protest.

Debriefings of offerors may be done orally, in writing, or by any other method acceptable to the Lease Contracting Officer. The Lease Contracting Officer should normally chair any debriefing session held, with individuals who conducted the evaluations providing support. At a minimum, the debriefing information must include:

- The Government’s evaluation of the significant weaknesses or deficiencies in the offeror’s proposal, if applicable;
- The overall evaluated cost or price (including unit prices) and technical rating, if applicable, of the successful offeror and the debriefed offeror, and past performance information on the debriefed offeror;
- The overall ranking of all offerors, when any ranking was developed by the agency during the source selection;
- A summary of the rationale for award; and
- Reasonable responses to relevant questions about whether source selection procedures contained in the solicitation, applicable regulations, and other applicable authorities were followed.

The debriefing should not make point-by-point comparisons of the debriefed offeror's proposal with those of other offerors, and must not reveal any information prohibited from disclosure or exempt from release under the Freedom of Information Act. Such information includes:

- Trade secrets;
- Privileged or confidential manufacturing processes and techniques;
- Commercial and financial information that is privileged or confidential, including cost breakdowns, profit, indirect cost rates, and similar information; and
- The names of individuals providing reference information about an offeror's past performance.

Accommodating Late Requests

An offeror that fails to submit a timely request is not entitled to a debriefing. The request may still be accommodated. This delay, however, does not automatically extend deadlines for filing a protest.

An official summary of the debriefing must be included in the contract file.

Protests

In the event of an award protest, the Lease Contracting Officer must consult with the Office of Regional Counsel. Award protests are handled in accordance with GSAM 533.1 and [FAR 33.1](#). Use of alternative dispute resolution methods outlined in Executive Order 12979, "Agency Procurement Protests" is encouraged for both pre- and post-award protests. Protests must be received within 10 days after contract award or within 5 days after a debriefing date offered to the protester under a timely debriefing request. Protests are discussed further in Chapter 22, Claims and Disputes.

Additional Protest Information

Further information about handling protests can also be found in Form 3516.

e. Distribution of Lease Copies

The original executed lease is placed in the lease file. The Lease Contracting Officer should provide copies to local and headquarters representatives of the client agency; the GSA field office; FPS; and other appropriate team members so that they can take further necessary actions regarding space layout and design, alterations, move coordination, telecommunications planning, space security, and supporting service or utility contracts.

f. Post-Award Notifications

Prepare COR Designation Letters

In the GSA organization, once a lease is awarded the COR assumes responsibility for lease management. The COR designation can be applied to any person with the qualifications and training needed to administer the lease. Unless the Lease Contracting Officer will enforce and administer the lease, a COR must be designated. See Chapter 17, Lease Administration.

Net Leases

Don't forget to notify the Property Manager that they need to set up a utility contract.

Government-Provided Services

Inform the Property Manager if the Lessor has declined to provide any essential services, such as utilities, so the Property Manager can make the necessary arrangements.

Posting of Justifications for Other Than Full and Open Competitions

Section 844 of the National Defense Authorization Act for Fiscal Year 2008 stipulates the requirements regarding the public availability of justification and approval documents after the award of Federal contracts, except for information exempt from public disclosure.

A posting of the award for all leases and supplemental lease agreements awarded from an OTFO competition must be advertised in [FedBizOpps](#). That policy requires publication of such justifications within 14 days after lease award. The FedBizOpps website's Frequently Asked Questions (FAQs) webpage provides guidance on how to search for documents and upload OTFO documents (which are referred to on the FedBizOpps website as "Justification and Approval" or "J&A"). In the case of lease awards permitted on the basis of unusual and compelling urgency, Lease Contracting Officers must publish these justifications within 30 days after lease award.

Lease Contracting Officers, in consultation with the Office of Regional Counsel, must screen all justifications before publication to remove contractor proprietary data, references, and citations as needed to protect the proprietary data in accordance with the Freedom of Information Act.

Part 6: Design, TI Negotiations, and Notice to Proceed

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1. Overview

After award of the lease, several actions occur to make the space ready for occupancy by the client agency. The overall goal is to take space from the raw “building shell” condition to a finished, usable state by constructing and installing the finishes and fixtures known as “tenant improvements” (TIs), which are funded by the TI allowance in the lease.

a. Shell Definition

The PBS shell definition is found in its entirety in the lease [SFO](#) and Pricing Guide (http://www.gsa.gov/graphics/pbs/Pricing_Desk_Guide_4th_Edition.pdf). Among the items included in the shell cost are the completed base structure and enclosure components. In general, the SFO specifies that unless an item is specifically identified as a tenant improvement, it is considered a shell item.

The “Warm Lit Shell”

The GSA definition of a “warm lit shell” may vary from industry definitions. The SFO defines exactly what we mean.

b. Tenant Improvements

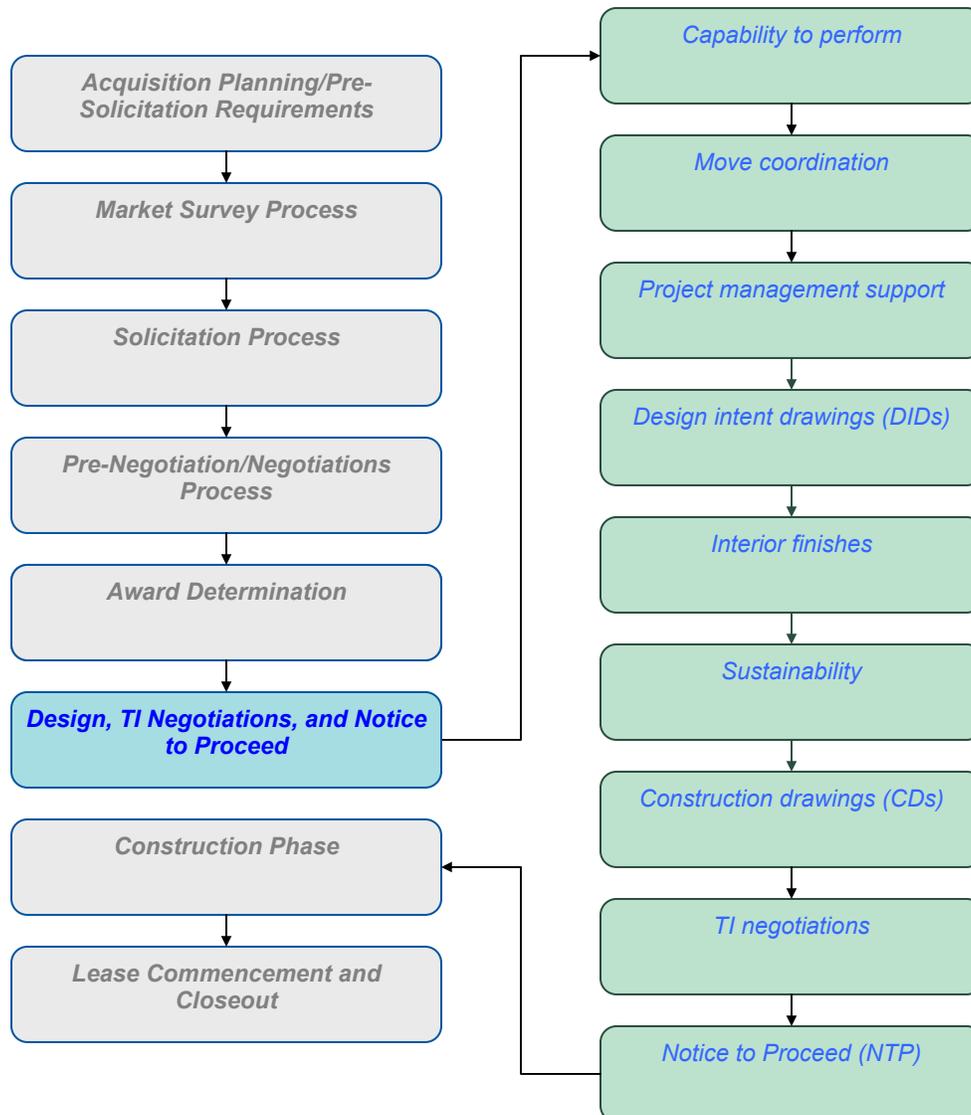
TIs encompass the initial improvements to the shell that are performed to deliver the leased space. They are distinct from later alterations that occur during the lease term, which are funded from different sources (discussed in Chapter 8, Alterations).

The following are the major steps in this part of the process:

- Design layout preparation—Design intent drawings (DIDs) for the tenant improvements are generally prepared by the Lessor. Once they are approved, the Lessor finalizes construction drawings (CDs) for building out the space.
- TI submittal, review, negotiation, and notice to proceed—The Lessor submits proposed competitive pricing of TI costs. Upon review and approval, GSA authorizes the Lessor to proceed with construction.

The following illustration shows the space design and build-out process. Each step label is linked to the section that discusses the topic.

Post-Award Process



2. Setting Up Post Award

a. Capability to Perform

After award, the winning offeror must provide additional information regarding its capability to perform the lease, including:

1. A firm commitment of funds in an amount sufficient to perform the work. Within 30 days from lease award, the winning offeror must provide a conditional commitment of funds, equal to or greater than the tenant improvement allowance. A firm commitment of funds must be delivered to the Lease Contracting Officer within 60 days of award. After final acceptance and

mutually agreed measurement of the leased space, recertify the availability of funds. It is necessary at this point to capture changes to the acceptance/effective dates, square footage, rental amount, or fiscal year crossover.

2. The names of at least two proposed construction contractors, as well as evidence of the contractors' experience, competency, and performance capabilities with construction similar in scope to that required.
3. The license or certification to practice in the state where the facility is located from the individuals and/or firms providing architectural and engineering design services.

Failure to meet any of these scheduled actions may be considered grounds for terminating the contract for default. The Office of Regional Counsel will review issues arising during contract administration that affect job progress, and the Lease Contracting Officer should consult them as needed.

b. Move Coordination

Client agencies are responsible for funding their own physical moves and telecommunication costs. Client agencies in both federally owned and leased space can expect to fund all move costs at the end of their OA term.

c. Project Management Support

GSA has established guidelines regarding the issues that Leasing Specialists need to consider when allocating resources to support the construction/project management phase of lease projects (size, complexity, availability of local GSA associates and/or IDIQ contractors, etc.). Among the primary concerns is that the Leasing Specialist have access to those with sufficient technical expertise to adequately oversee the Lessor's construction activities. See the "Criteria for Tenant Improvement (TI) Project Management Support" in Appendix C.

d. SBA Verification—Certificate of Competency

Another concern is whether a small business is competent to perform the services that the SFO requires. For example, a small business firm may be the low offeror in terms of price, but the Lease Contracting Officer may judge that it lacks the capacity, or some other element of responsibility, to fulfill the acquisition, and therefore would not be awarded the contract. If a small business is found non-responsible, the procedures found in [FAR 19.6](#) apply. The Lease Contracting Officer must notify the SBA, which would then review the small business's responsibility. If the result is favorable, the SBA issues a certificate of competency that in effect reverses the Lease Contracting Officer's decision regarding the prospective contractor's lack of responsibility.

e. Green Lease Requirements

The green lease or sustainability requirements of our leases are important and sensitive to our customers, our stakeholders, and the general public. Therefore, post-award activities must include review and enforcement of these requirements.

3. Design Intent Drawings (DIDs)

a. Purpose

DIDs are drawings that show partitions and doors, schematic demolition, voice, data, and electrical outlet locations, level of finishes, generic furniture layout, and any additional details necessary to communicate the “design intent” to the Lessor’s architect for the purpose of preparing construction documents.

It is important to manage customer expectations regarding the design features. All design elements will have consequences for the build-out costs. The DIDs are also an opportunity to make sure that the agency takes full advantage of the TI allowance to improve its final use of the space.

Design intent drawings are developed using the drawings provided by the Lessor. They detail the tenant improvements to be constructed by the Lessor within the Government-designated area and become the basis for the final construction drawings. DIDs do not contain mechanical, electrical, or plumbing specifications or drawings. They do not carry furniture or computer and telecommunication specifications; nor do they contain signage, artwork, keying, or hardware schedules.

b. Preparation

The lease specifies whether the DIDs are prepared by the Lessor or the Government.

- Lessor—Lessors typically prepare DIDs as part of shell rent. This approach generally offers an acceptable delivery time, and uses the expertise of professional architecture/engineering staff who are familiar with the building. In this approach, however, the Lessor may offer design features or items whose cost will exceed the TI allowance.
- Government
 - GSA—GSA may use in-house space planners or contract services to prepare the DIDs. These services are paid by the client agency via RWA. The SFO should reflect that the Government will prepare and provide the DIDs to the Lessor so the client agency has a potentially lower shell rent. This approach may give GSA more control over the schedule. However, planning is required to allocate technical resources and/or funding availability.
 - Client agency—The client agency is familiar with its space and design requirements. However, GSA has less control over the schedule and delivery date. If the client agency prepares the DIDs, the SFO must reflect that the Government will prepare and provide the DIDs to the Lessor so the client agency has a potentially lower shell rent.

Start This Discussion Early

The issue of who will prepare the DIDs should be broached early in the lease acquisition process, during initial requirements development. The selected approach should be stated in the SFO. The choice will affect design meeting scenarios and schedules.

Remember to consult with your concessions coordinator during DID preparation for any Randolph Sheppard requirements.

c. DID Review Process

For Security Level 3 clients in single-tenant buildings and Security Level 4 clients, DIDs should be treated as sensitive but unclassified (SBU) documents. Ideally, however, GSA and the agency should have determined whether this procurement (or particular drawings) involved SBU information early on, during assessment of the agency's special needs and requirements.

Fire Life/Safety Reviews

DIDs should be submitted to the GSA Fire Protection Engineer for review and approval. This review will examine furniture plans, and other details that show exit paths, emergency lighting, and sprinklers. Any changes to layout or DIDs from fire and life-safety and/or FPS review must be re-submitted to the client agency for concurrence.

The client agency must approve DIDs by signature or email, and the Lessor cannot proceed to other steps until it receives final approved drawings from the Lease Contracting Officer.

d. Interior Finishes

Interior finishes should be provided by the Lessor and selected by the agency during design. Sample selections should be documented in the lease file. The Leasing Specialist should seek technical expertise to confirm that the finish selections chosen comply with the SFO standards.

4. Construction Drawings (CDs)

a. Definition and Purpose

Construction drawings (CDs), which are sometimes referred to as “working” or “sealed” drawings, provide the specifications, engineering calculations, and construction details necessary to construct the space. They are also the basis for determining code compliance, obtaining building permits, evaluating contractual performance, and determining legal liability for occupants' safety and welfare. CDs reflect both the lease requirements and specifications in the DIDs. They must also conform to accessibility standards in the lease.

b. Preparation

GSA must send a letter to the Lessor transmitting approved DIDs and also requesting that CDs be developed.

c. GSA Review Process

GSA and the client agency review the CDs. The Leasing Specialist will engage a design professional either in-house or contract to review these documents for input and comment.

The GSA review is not an “approval.” It is limited to evaluating the construction documents’ conformance to the specific requirements of the lease and to the approved design intent drawings, and it must be completed within the time frame specified in the lease. Should the GSA or the client agency require that modifications be made to the Lessor’s construction documents, GSA will provide this notification in writing to the Lessor, and will request a specific time period to correct all noted defects before a subsequent review. Preparation of the construction drawings is priced as part of the TI allowance.

Fix It Now

Carefully reviewing the DIDs and CDs for adherence to the SFO will avoid costly mistakes and change orders. It’s less expensive to find and correct mistakes on the CDs now than to discover them after construction begins.

Upon completion of any required corrections, GSA ascertains conformance of the construction documents to the design intent drawings. Regardless of GSA’s review of the construction documents, the Lessor is solely responsible and liable for the technical accuracy of the construction documents in meeting all requirements and provisions of the lease and the Government-approved design intent drawings. The Lessor then obtains the necessary permits and may begin construction of the shell space. The tenant improvement cost negotiation must still take place. As part of the CDs, the Lessor’s architect will produce the finish schedule.

CDs Don’t Belong in the Lease

It is not appropriate to incorporate construction drawings into a lease. Doing so shifts unnecessary risk to the Government.

5. TI Negotiation

a. TI Bid Process

According to FAR 15.406-3, the Contracting Officer must document in the contract the required and the principle elements of the negotiated agreement to demonstrate fair and reasonable pricing. The Contracting Officer and Lessor can negotiate the final cost of TI based either on detailed cost or pricing data, or on the results of a competitive proposal process handled by the Lessor.

[FAR 15.406-1](#) states, “The Contracting Officer shall establish pre-negotiation objectives before the negotiation of any pricing action.”

Competitive Process

Evidence of Competitive Bidding Process or Cost or Pricing Data for TI Costs. This may be a letter or e-mail from the Lessor, a copy of the bids obtained (three competitive bids), cost and pricing information if applicable, etc. See [FAR 15.400](#).

In lieu of submitting detailed cost or pricing data and entering into negotiations to determine a final cost for the subject work, the Government may negotiate a price based upon the results of a competitive proposal process. In this case the following conditions must be met:

- The Tenant Improvements scope of work includes the lease, the SFO, all SFO attachments, the construction drawings/documents, and written specifications. In cases of discrepancies, the Lessor must immediately notify the Lease Contracting Officer for resolution. All

differences will be resolved by the Lease Contracting Officer in accordance with the terms and conditions of the lease.

- No building shell items must be included in the pricing for the Tenant Improvements.
- Each proposal must be submitted in the attached Tenant Improvement Cost Summary table by the proposed general contractors (or subcontractors) and reviewed by the Government. The general contractors must submit the supporting bids from the major subcontractors. The Government reserves the right to determine whether bids meet the scope of work, that the price is reasonable, and that the Lessor's proposed contractors are qualified to perform the work. The Government reserves the right to reject all bids, at its sole discretion.
- A minimum of two qualified general contractors must be invited to participate in the competitive proposal process. Each participant must compete independently in the process. In the absence of sufficient competition from the general contractors, a minimum of two qualified subcontractors from each trade of the Tenant Improvement Cost Summary table must be invited to participate in the competitive proposal process.
- The Government reserves the right to be represented at all negotiation sessions between the Lessor and potential contractors.
- The Lessor must demonstrate to the Government that best efforts have been made to obtain the most competitive prices possible, and the Lessor must accept responsibility for all prices through direct contracts with all contractors.
- The Lessor must complete the competition and the cost proposal process in the time frame specified in the "Construction Schedule of Tenant Improvements" paragraph in the SFO.
- Once the Government determines that there is adequate competition, and upon the Government's acceptance of the Lessor's cost proposal based upon that competition (provided the Lessor selects the competition's lowest priced bid of a contractor qualified to perform the subject work), the Lease Contracting Officer must issue to the Lessor a notice to proceed for the work.
- The Lessor must complete the work within the time frame requirements illustrated in the "Construction Schedule and Acceptance of Tenant Improvements" paragraph in the SFO.

CORS should consult with their regional A/E or estimator to determine an acceptable range for the Lessor's overhead and profit fees.

Tenant Improvements Cost Summary (TICS) Table

Lease build outs for general purpose office space tenant build out or alterations in existing office space must use the TICS table as a tool for calculating and recording a Lessor's proposed tenant improvement (TI) and shell costs.

An Independent Government Estimate using the same TICS table must be provided using Design Intent Drawings along with construction documents, if available, or other scope documents with sufficient detail for estimating purposes.

The TICS table segregates TI from Shell costs per the Pricing Desk Guide to eliminate the inclusion of shell improvements in TI costs. The cost segregation is also helpful for conducting negotiations.

The table is closely modeled after the Construction Specifications Institute's (CSI's) Masterformat. The table allows for the functional elements of alterations to be clearly separated into shell and TI categories and makes price evaluation more intuitive and standardized.

Completion of the table is self-explanatory. The Lessor inputs the proposed costs for each of the indicated elements, which are broken out into shell and TI categories. The Lessor then submits the completed table using the instructions set out in the solicitation for offers Tenant Improvements Pricing Requirement paragraph.

In addition, the table outlines all the respective trades that must be represented for a competitive proposal process among subcontractors for TI work, if there is an absence of sufficient competition from the general contractors. FAR 15.406-3 states that the contracting officer must document in the contract file the principal elements of the negotiated agreement as well as provide required elements. Further, it requires documentation for fair and reasonable pricing. The TICS table provides a practical tool for meeting these requirements.

b. GSA Reviews

The Leasing Specialist with appropriate technical support should review the competitive bids to determine their reasonableness. The following items should be considered in reviewing TI requirements:

- Confirm that the Lessor received bids from two or more general contractors or that the general contractor received bids from two or more sub-contractors for each major discipline.
- Confirm that TI and shell bids were broken out in a TI Cost Summary (TICS) Table.
- Confirm that shell items are not included in TI costs.
- Review the TI bid against an Independent Government Estimate (IGE) if applicable.
- Check that fees align with those stated in the offer.
- Check whether fees were negotiated pre- or post-award.

c. Negotiation

Once the reviews are complete, the Leasing Specialist should inform the Lessor of any discrepancies. Revised bids may be required in order to comply with the above parameters. Any revised bids should be reviewed to verify that price adjustments were made and bids are in compliance. The Leasing Specialist should also note if any the bids failed to comply or if all bidders submitted revised bids and competition was maintained until the end of the process

Even if the bids are lower than the TI allowance, the Leasing Specialist must negotiate with the Lessor to verify that the lowest bid is fair and reasonable as it is in compliance with the above parameters. The Leasing Specialist may request technical support to assist during negotiations.

TI PNM

This step produces documentation for Lease File Tab VII.

[FAR 15.406-3](#) states, “The Contracting Officer shall document in the contract file the principal elements of the negotiated agreement,” as well as providing required elements. It also requires documentation on pricing used by the Lease Contracting Officer to determine that pricing is fair and reasonable.

Appendix C contains a template for a PNM to document the fair and reasonable pricing determination. It contains nonprinting blue instructional text to assist those preparing the PNM for the Lease Contracting Officer’s signature. This template is available in eLease. An alternative document may be used, but it must conform to the [FAR Part 15.4](#) requirements.

The Leasing Specialist or contract support person must prepare the PNM and obtain the Lease Contracting Officer’s signature before issuing a Notice to Proceed (NTP) for tenant improvements.

6. Notice to Proceed (NTP)

The notice to proceed can be granted if:

- Competition for the construction contract award is deemed adequate.
- The Lessor’s cost proposal is accepted (it is based on the lowest bid by a qualified contractor and determined to be reasonable).
- Final DID’s are approved, and all CD’s are completed.
- Funds are available. Funds are secured via a signed occupancy agreement and/or RWA. The Leasing Specialist must reconcile (match) Reimbursable Work Authorizations received against the Tenant Improvement Allowance.
- Set up pre-construction meeting.

The notice is given in writing and binds the Government contractually. The content of the notice letter depends on whether the construction contract was awarded competitively or on the basis of cost and pricing, and whether the cost is below or exceeds the TI allowance. If it exceeds the TI allowance, the notice must be accompanied by an SLA. The notice must state the price that has been agreed upon, not a “not to exceed” figure.

a. Notice to Proceed (NTP) Letter

Most leases contain language requiring a Lease Contracting Officer to issue an NTP upon determination of adequate competition (or per the FAR, cost and pricing data in the absence of competition) and acceptance of the cost proposal.

Appendix C contains a template NTP letter. It contains nonprinting blue instructional text to assist those preparing the NTP for the Lease Contracting Officer’s signature. This template is available in eLease. An alternative document may be used, but it must contain essentially the same information.

b. TI Overage

In many cases, the actual TI cost exceeds the TI allowance. Leasing Specialists must keep the client agency apprised of this during negotiations. Before issuing the NTP, the Leasing Specialist must confirm that the client agency has authorized this additional expenditure and obtained sufficient RWA funds for the excess TIs. Under these circumstances, an SLA ordering the excess TIs must accompany the NTP. At the time of NTP, the amount obligated by the SLA or letter must be entered into Pegasys to account for the obligation against the RWA and to get the Pegasys Document Number (PDN). The overage amount and PDN must be documented in the SLA.

Appendix C contains a template SLA to order excess TIs. It contains nonprinting blue instructional text to assist those preparing the SLA for the Lease Contracting Officer's signature. This template is available in eLease.

TI-RWA Tracker

GSA uses a spreadsheet template to track obligations against the RWA. Additional guidance in eLease deals with amending RWAs and verifying that charges are made against the right RWA.

1. Using the TI-RWA workbook (see Appendix C for link), enter the Lessor's cost proposal on the TI Tracker sheet. Use this spreadsheet to summarize changes to the Lessor's TI cost proposal, whether by application of unit prices contained in the lease or by negotiations. In instances where the NTP for tenant improvements is for an amount less than the TI allowance, some changes during construction may be charged against the available TI allowance. Use the TI Tracker to make adjustments in the appropriate Uniformat system element so we always know the TI amount expended.

The cells for the Lessor's fees do not contain formulas since the basis for the fees may vary from one project to another. Enter the correct formula or amount as needed. The ANSI/BOMA Office Area (ABOA) square feet, the TI allowance, and the adjusted Lessor's costs will carry over to the RWA Input sheet and the RWA Tracker sheet.

2. Once the Lease Contracting Officer determines that the offered TI cost is fair and reasonable, prepare the TI PNM, the NTP, and, if needed, the SLA to order excess TIs once we receive an RWA from the agency as well as its concurrence for the expenditure.
3. If the Lease Contracting Officer receives RWAs from the agency for a project, use the RWA input sheet to enter the RWA number, the date PBS accepted the RWA, and the RWA amount and purpose. Once GSA obtains the RWA number from IRIS, provide the agency with a copy of the RWA that includes the RWA number, its signature, and PBS's signature.
4. Once the Lease Contracting Officer inputs RWA information on the RWA input sheet, the RWA Tracker sheet will provide the available balance of the RWA funds.
6. If the Lease Contracting Officer orders additional items after issuance of the NTP, GSA must always evaluate those additional costs to determine that they are fair and reasonable.
7. GSA must always obtain prior concurrence from the agency before expending any funds in the RWAs. Appendix C contains a template for obtaining the agency's concurrence.
8. The Lease Contracting Officer must always obtain a Pegasys Document Number before ordering any alterations or other items using the RWA funds and must record the obligations against the RWA at the time incurred. *Do not wait until the space is accepted to enter the*

ordered items and amounts into Pegasys, as this understates the Government's financial obligations.

9. The Lease Contracting Officer be sure that to use RWA funds intended for the project at hand. Do not charge one RWA with expenses for another project until such time as the agency has properly amended the original RWA to allow expenses for the project at hand.
10. In many instances, GSA receives RWAs for costs other than TIs in connection with the project. If this is the case, be sure that any orders for items such as systems furniture and move contractors are shown on the RWA Tracker so an accurate balance is always available to the customer agency. Coordinate these orders with the ordering associate and provide the RWA available balance to that associate.
11. Each time the Lease Contracting Officer places an order against an RWA, provide an updated copy of the RWA Tracker to the customer agency for its records. This tool enables GSA to tell our customer agencies how we spent their money and the amount of any available balance. The RWA Tracker was designed to coordinate that information for both PBS' and the agencies' financial books.
12. Since GSA will be tracking all RWA expenditures, the agency will also have a running total of the TIs, so reconciliation and preparation of a final OA will not be delayed at space acceptance. RWA administration requires consistent and timely communication between the Leasing Specialist and the budget analyst.

Part 7: Construction Phase

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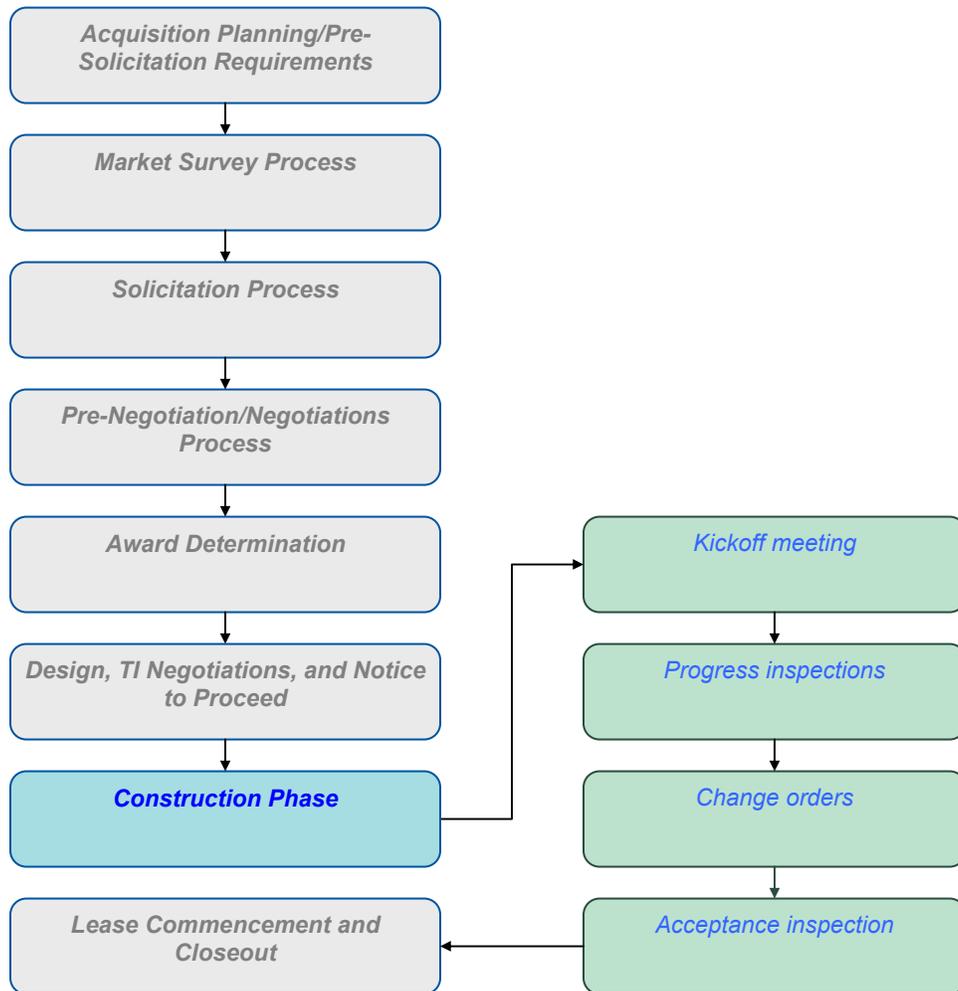
1. Overview

The construction phase of the project—which begins after the Lease Contracting Officer issues a Notice to Proceed for the tenant improvements—involves the build-out of the space by the Lessor. This part will discuss key elements of this phase, which include the construction kickoff meeting, progress inspections, changes orders, and the acceptance inspection.

Technical support is integral to the success of this phase of the project. The Leasing Specialist must work cooperatively with team members; field office representatives, engineers, space planners, and others throughout this phase to note construction progress and deficiencies.

The following illustration shows the construction phase. Each step label is linked to the section that discusses the topic.

Construction Phase



2. Kickoff Meeting

The kickoff meeting is an important part of the construction phase, as it establishes the protocol and expectations for all team members for this part of the process. The timing of this meeting is important; it should occur before commencing any TI construction but after the Lease Contracting Officer has issued the Notice to Proceed. The sections below discuss the proposed attendees and agenda.

a. Attendees

The complexity of a project may determine the appropriate attendees. The following people typically attend:

- GSA Leasing Specialist and/or Lease Contracting Officer;

- GSA Technical Team (engineer, space planner, etc.);
- GSA field office representative;
- Agency representatives;
- FPS inspector;
- National broker (if applicable);
- Construction manager (CM), if applicable;
- Lessor:
 - Lessor's general contractor (GC);
 - Lessor's Architect;
 - Lessor's Project Manager (PM);
 - Lessor's subcontractors.

b. Agenda

The main purpose of the kickoff meeting is to establish roles, responsibilities, procedures, and the construction schedule. The following are typical agenda items for the kickoff meeting:

- Introductions and attendance;
- Roles and responsibilities: Establish points of contact (phone numbers, emails, etc.), roles, and decision-making individuals for Lessor and GSA team;
- Change order procedures: Emphasize that the Lease Contracting Officer is the only person authorized to approve change orders and obligate additional funds;
- Construction schedule review: Identify any critical time frames when a progress inspection should occur (such as before drywall is installed);
- Progress inspections, reports, and construction meetings schedule: These time frames are referenced in Section 5.0 of the SFO, in the *Progress Reports* paragraph;
- Review of finish selections or finish selection and approval process;
- Furniture delivery and installation timing in relation to construction schedule;
- Phone, data, and security systems installation in relation to construction schedule;
- Unique security concerns (controlled access, clearance of workers, and safeguarding Sensitive But Unclassified information);
- Material Safety Data Sheet (MSDS) submittals (if necessary and applicable);

- Walk-through of space.

c. Meeting Minutes

Meeting minutes must be taken at the kickoff meeting and any subsequent construction meetings. In accordance with Section 5.0 of the SFO, *Progress Reports* paragraph, the Lessor is responsible for taking and distributing minutes of these meetings.

d. Other Items

If the *Labor Standards* paragraph is in Section 1.0 of the SFO and applies to the offered space, the submittal process for *Davis-Bacon Interview Forms and Wage Payment* should also be discussed (GSAM 522.406 and <http://www.armet.gov/GSAM/current/html/Part522.html#wp1859266>). Please see Chapter 14, Lease Construction, for more information.

If a subcontracting plan was required as part of the offer, *Standard Forms 294 and 295, Reporting on Subcontracting Goals*, should also be discussed. (See http://pbsportal.pbs.gsa.gov:7777/portal/page?_pageid=80,110603&_dad=portal&_schema=PORTAL.)

3. Progress Inspections

During construction, the Government may conduct regularly scheduled progress inspections or inspections at critical points. Though Leasing Specialists will not always conduct progress inspections, they will need to stay informed of any issues these inspections uncover before the build-out is completed.

Periodic progress inspections are important for:

- Verifying compliance with the lease construction schedule and lease construction drawings; and
- Observing the quality of construction work, and reducing the amount of costly rework.

Right of Access

The SFO specifies that the Government may access any space within the building during interior construction to perform inspections or install Government-furnished equipment.

The Lessor should record minutes for each meeting with GSA regarding progress inspections. During construction, if the Lessor discovers instances where the Government's directives conflict, the Lessor should immediately notify the Lease Contracting Officer so that the Government can decide to how to proceed beyond the building shell.

Each project may have specific items that are important to observe during a progress inspection. The following items are some examples:

- Wall locations or any critical "hold to" dimensions;
- Wall type (perimeter walls/slab to slab/ceiling height);
- Progress of work (in line with construction schedule);

- Ballistic material under the drywall;
- Wire mesh;
- Soundproofing;
- Outlet locations (core drills);
- Cabling;
- HVAC units (such as those dedicated to a server room); and
- Restroom ABAAS compliance.

4. Change Orders

Technically, a change order is a “unilateral written order by a project owner directing the contractor to change contract amount, requirements, or time. Such changes must be within the scope of the contract and in accordance with the contract’s changes clause to be legally implemented without the consent of the contractor.”² GSA more broadly includes changes requested by the Lessor in the definition. Any costs associated with a change must be determined to be fair and reasonable. A change may also result in a reduction of costs to the Government.

As indicated in the definition above, when GSA orders a change from a Lessor (or agrees to a change initiated by a Lessor), the Lease Contracting Officer must provide a written order to the Lessor identifying the scope of the change, costs, schedule, and any other pertinent provisions. If a change results in neither a cost or schedule modification nor a devaluation of the products and services to which the Government is entitled under the lease, GSA may issue a no-cost change order to the Lessor. In any case, the lease and/or design documents should be updated to reflect the change.

a. Lessor Changes

Whenever a change is initiated by the Lessor, the Lease Contracting Officer should be notified and apprised of the scope of the change. The Leasing Specialist and/or Lease Contracting Officer can then discuss the implications of the change with the client agency to confirm that the client’s goals can still be accomplished. If not, the Leasing Specialist and/or Lease Contracting Officer should discuss with the Lessor alternatives that will be acceptable to the client and, if possible, mutually beneficial to the Lessor. If it becomes necessary for the Government to compromise any lease requirement to accommodate the Lessor, the Leasing Specialist and/or Lease Contracting Officer should expect and require an equivalent value of compensation from the Lessor, either monetary in the form of reduced rent or other benefit of equal or greater value to the Government. All changes should be memorialized in the lease through a Supplemental Lease Agreement and in the design documents.

² [BusinessDictionary.com](https://www.businessdictionary.com/definition/change-order.html)

In some cases, the Lessor may suggest changes that will enhance the Government's beneficial occupancy but for which the Lessor derives no direct benefit. In these instances, the concepts under "Government Changes" below should be employed.

b. Government Changes

When a change is initiated by GSA, it is generally on behalf of the client agency and usually the result of a refinement of the agency's mission, a change in requirements or of value engineering. The scope of the change must be clearly written and provided to the Lessor for pricing. It may be necessary to require the Lessor to provide drawings or other submittals sufficient for GSA to determine that a meeting of the minds has been achieved regarding the change desired. GSA should be prepared to remunerate the Lessor for design costs, even if a change order is not ultimately issued. The Leasing Specialist and/or Lease Contracting Officer should negotiate the design costs with the Lessor in advance, notify the agency of the costs, and secure funding before issuing a notice to proceed with design.

As with design costs, GSA requires that the agency execute an updated Occupancy Agreement, RWA, or other funding instrument before issuing the change order to the Lessor. Additionally, the following considerations apply:

- A change order must be reviewed and approved in writing or, in an emergency, orally, and then confirmed in writing by the Lease Contracting Officer.
- Payment for change orders must be discussed and agreed upon by the Government and Lessor before the work is started. The discussion must determine whether the Government will be paying lump sum via an RWA or whether the cost will be amortized through the rent.
- The tenant agency cannot request a change to the scope of the project that will result in additional costs unless approved in writing by the Lease Contracting Officer. If the Lessor makes changes to the scope of the project on the request of the tenant agency, completes the work, and does not get advance approval in writing by the Lease Contracting Officer, then the Government is not liable for the cost of those changes. This should be conveyed to the Lessor during the first construction meeting.
- The Lessor or its architect/general contractor must maintain a change order log and keep it current throughout the term of the project.
- Change orders must be substantiated by an IGE to determine that pricing is fair and reasonable. The pricing for the change order does not have to be automatically accepted; it can and should be negotiated.
- The change orders and payment for them must be memorialized in a Supplemental Lease Agreement either as they occur or at the completion and final reconciliation of the project.
- Government change orders may not be initiated by anyone other than the Lease Contracting Officer.

An oversight in the Lessor's preparation of TI pricing does not constitute a change in costs to the Government. However, if a Lessor's request for additional payment in a particular instance is fair reasonable considering the total TI costs, and if funding is available from the client agency, the Lease Contracting Officer may consider it prudent to compensate the Lessor.

If the agency missed something in its original requirements or DID, it should be advised that this change could result in additional costs and that it will be at the agency's expense.

If unforeseen or unforeseeable costs are incurred during the construction phase, the costs of any potential change orders should be discussed with the agency and agreed upon with the Lessor before issuance. For instance, if the Lessor was not aware that it had to get a floor x-rayed before core drilling, then the cost for the x-ray would be discussed and negotiated.

5. Acceptance Inspection

In the final inspection for space acceptance, the Government verifies that the space meets all the performance requirements of the lease agreement and the design intent drawings. This inspection is a crucial turning point, because it establishes whether the space is “substantially complete,” meaning that all work has been finished, and the space will serve its intended function and rent will commence. Extreme care is required in arriving at this decision, since failure to notice flaws or shortcomings in the construction can have costly ramifications later on after the client agency has moved into the space.

**PBS Milestone 13:
Substantial
Completion**

Conducting the final acceptance inspection consists of the six steps discussed below.

a. Receive Notice from Lessor

Before completing interior construction, the Lessor must advise the Government in writing to inspect the space. The lease itself will specify the number of days before completion that the Lessor must issue this notice, and the number of days the Government has to inspect and either accept or reject it. During construction GSA should be monitoring the schedule, conducting periodic inspections, and keeping themselves and other stakeholders informed about progress.

b. Invite Inspection Participants

Inspections can be done by the Lease Contracting Officer or designated official, but the Lease Contracting Officer makes the ultimate decision on accepting space. The schedule for the acceptance inspection may accommodate the participation of the following parties:

- Leasing Specialist (who may be represented by the technical representative);
- Engineer/CM/space planner;
- Field office representative;
- Agency representative;
- Lessor, possibly accompanied by a general contractor;
- Federal Protective Service;
- Fire Protection Engineer; and

- Broker (if applicable).

d. Inspection and Acceptance

Conducting the inspection involves walking around the interior space, common areas, and exterior. The Leasing Specialist or designee should make a note of all deficiencies to create a “punch list” for further action.

The following are the types of issues to look for during the inspection:

- Measurements—The final measured space must contain the minimum ANSI/BOMA office area square footage required by the lease.
- The overall condition of the space—Should be clean, complete, ready to move in.
- Finishes—Should be fully installed, with the specified materials, in a workmanlike manner.
- Partitions, doors, and hardware—Should be the correct type.
- ABAAS compliance—Entrances and ramps, restrooms, elevators. An accessibility checklist identifies the most common specific issues that need to be considered in designs. They involve parking, entrances, doors, elevators, drinking fountains, ramps, restrooms, and miscellaneous other requirements. A full checklist can be found in Appendix B.
- Restrooms—Should be fully equipped and stocked, with working fixtures.
- Adequate light levels.
- HVAC balancing.
- Electrical outlets—Should be operable, the correct type, and placed properly.
- Special requirements.
- Security items, such as blast film.

Round 'Em Up

Keep all inspection participants together—everyone’s notes should be based on the same observed evidence.

e. Acceptance Determination

Before GSA can accept the space, it must be “substantially complete.” This means that all work necessary for the Government’s access, occupancy, use, and enjoyment has been completed, except for minor matters that don’t interfere with access, occupancy, use, or enjoyment. If it is not capable of being used for its intended purpose and delivering its intended benefits, then it is not substantially complete and GSA may not accept the space.

Additionally, the lease requires the Lessor to provide a valid certificate of occupancy. Some jurisdictions follow a two-phase process that involves issuing a temporary certificate of occupancy, which is acceptable. If the local jurisdiction does not issue certificates of occupancy, the Lessor must have a licensed fire protection engineer verify that the space meets all applicable local codes and ordinances to provide an acceptable level of safety. It is important to understand that

the certificate of occupancy is essential and required for GSA acceptance of the space, but it is not in itself sufficient for that purpose. The certificate of occupancy verifies that the space meets local legal and code requirements, but it does not verify compliance with the lease.

Documenting the Decision

GSA must document its acceptance decision with the completed [GSA form 1204](#), [Condition Survey Report](#) or similar form signed by the Lessor, client agency, and GSA.

Good Practice

As dictated by the SFO, the Leasing Specialist should get as-built drawings.

If the space is deemed substantially complete, the Government accepts the space and requests a schedule for resolving punch list items, and the Lessor turns over keys to the client agency. The remaining punch list items and a schedule for fixing them can be documented in an SLA, if the additional work will go on for more than 7 days or beyond the move-in date.

If the GSA rejects the space as not substantially complete, then GSA must explain to the Lessor what is required to reach substantial completion. The Lessor should immediately undertake remedial action and, when the space is ready, issue a subsequent notice to inspect to the Government.

Provide the field office with copies of all correspondence.

f. Re-inspect as Necessary

GSA does not always accept space after the first inspection. Re-inspect to determine substantial completion, if the space was initially rejected, or to resolve all remaining punch list items. Document the items that have been completed, the ones that are still pending, and any new problems discovered.

Part 8: Lease Commencement and Closeout

1. Overview	2.8-1
2. Lease Commencement Supplemental Lease Agreement	2.8-2
3. Processing Lease Payment and Client Billing	2.8-3
4. Close-out of Existing Lease	2.8-4
5. Post-Occupancy Deliverables	2.8-4

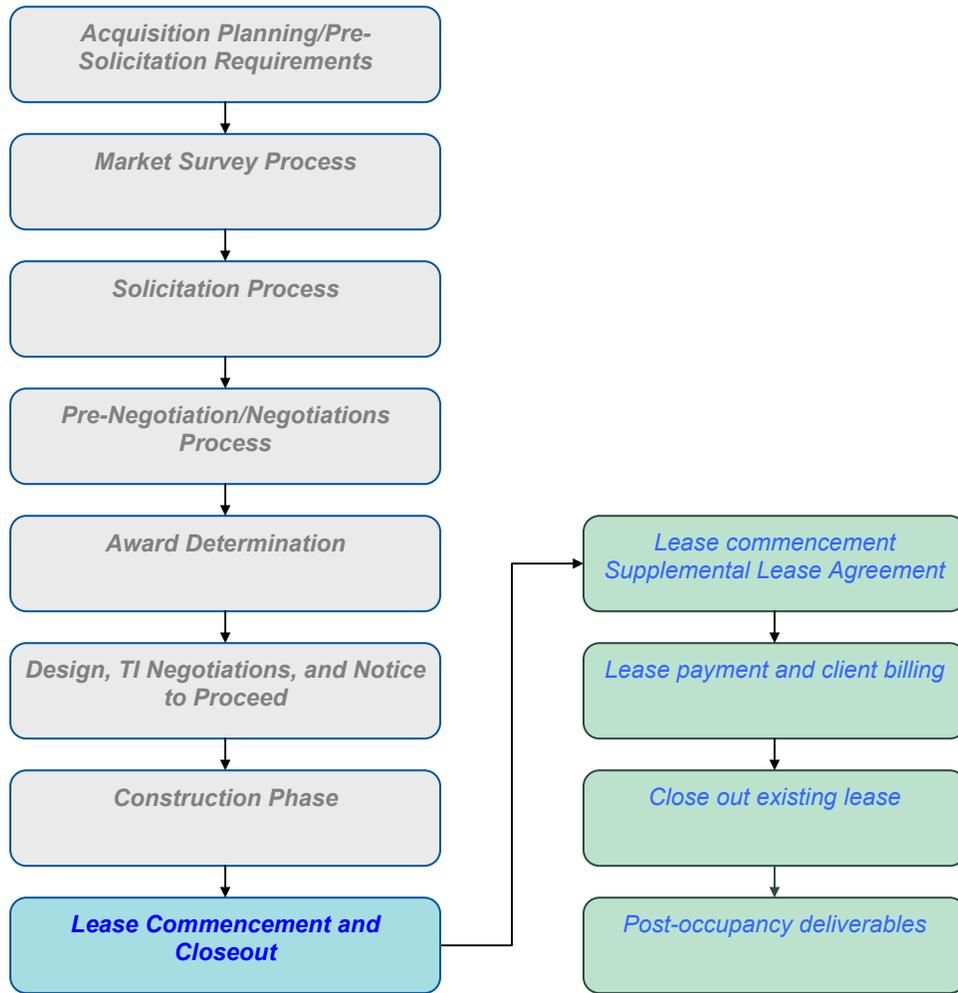
1. Overview

Once GSA determines that the space is substantially complete and accepts it, the official start date for occupancy and paying rent must be established. GSA must help the client agency plan and coordinate the dates for its move. Moving in the client agency's furniture and equipment can amount to de facto acceptance of the space.

- Lease activation—Upon acceptance of the space, the lease is activated, the client agency occupies the space, and rent payment begins.
- Project closeout—The lease acquisition project is closed out.
- Post-occupancy deliverables—The Lessor provides a number of standard items after occupancy.

The following illustration shows the lease commencement and closeout phase. Each step label is linked to the section that discusses the topic.

Lease Commencement and Closeout



2. Lease Commencement Supplemental Lease Agreement

The Supplemental Lease Agreement (SLA), GSA Form 276, is the vehicle used to change or modify an existing lease for any purpose. In this case, it will be used for starting payment of the lease. A typical rent commencement SLA amends the lease by specifying the effective and expiration dates of the lease, the square footage, and the actual rental rates, which are broken down to show subcomponents such as shell and operating costs, building-specific security, amortization of tenant improvements; and giving other rental payment information. Once

**PBS Milestone 14:
Rent Start**

completed and signed by all parties, the Leasing Specialist must transmit the SLA to all who are listed to get copies on that lease.

3. Processing Lease Payment and Client Billing

The Leasing Specialist must receive a signed OA before a lease or SLA is executed. A previously signed Pro Forma OA, with each component equal to or greater than the amount to be billed for that component, meets this requirement. Otherwise, the Leasing Specialist must produce and have the agency sign a new OA, reflecting the new terms, before an SLA is executed. In some instances, PBS must act timely to protect the government's financial interests without the benefit of a signed OA. A clear example is the case in which PBS must execute a new lease (and move a reluctant tenant agency) to avoid a holdover tenancy. In such cases, the approval of the regional portfolio manager must be obtained before proceeding with the action. Refer to section 2.1.3 of the fourth edition Pricing Desk Guide for further details on the OA signature requirement.

All documents must be loaded into eLease.

At this stage, the Leasing Specialist can close out the project in STAR.

Payment information is pulled from CCR; therefore realty professionals and support contractors must include the DUNS number for the Lessor (and for the payee, if different from the Lessor) in the R620. For payment purposes, realty professionals and support contractors must verify that the name of the Lessor on the R620 exactly matches either the legal name or "doing business as" (DBA) name listed in CCR. If the R620 only contains the DBA name and CCR only contains the legal name, payment cannot be made. [move elsewhere to pre-award section in chapter?]

Registration in CCR requires three addresses: mailing address (for correspondence); physical address (location of the business entity, not the leased space location); and a remittance address (required if the payee is different from the Lessor and for check payments if necessary). Realty professionals and support contractors must verify that the Lessor's address shown on the R620 matches the physical address listed in CCR. Additionally, for leases where the payee differs from the Lessor, realty professionals and support contractors must verify that the payee is also actively registered in CCR before award and that the payee address shown on the R620 matches the remittance address listed in CCR. The mailing address listed in CCR will be used for correspondence such as tax form 1099s.

Additionally, if a Lessor is registered in CCR but fails to properly update information or annually renew or reactivate an expired registration, the automated payment process will not release a payment. Once a payment is rejected by the automated payment system, payments must be manually generated. For Finance to make a manual payment, the R620 payee information and EFT documentation on file must match the remittance and EFT information in CCR exactly. If the documentation on file does not match, the Lease Contracting Officer must provide revised documentation for Finance to make the manual payment, or the Lessor will have to renew its information or reactivate its expired registration in CCR. Once annual registration is renewed or reactivated, automated payments will again be generated.

4. Close-out of Existing Lease

If the new lease replaces an existing lease, Leasing Specialists must also coordinate the disposition of the old lease. This entails conducting a post-move inspection with your Property Manager or designee at the previous lease location. All Government equipment and furniture must be removed, and the space left clean, allowing for normal wear and tear. Failure to remove all Government assets and clean the space could put GSA in a holdover position if the lease has already expired, meaning that the previous Lessor could file a claim for additional rent payments.

If damage has occurred to the space beyond normal wear and tear, an agreement for compensation should be arranged. This is ordinarily a lump-sum paid to the Lessor to cover the costs of improving the space to its original state.

Document the final disposition and return of keys to the Lessor in the lease file on the condition survey form (GSA 1204), which is signed by the Lessor. After the post-occupancy inspection, close out the lease and complete an action for terminating the lease at expiration. The Lessor should also be requested to sign a release of claims document (GSA Form 1142 or equivalent).

Rent Bill Management requires one of the following:

- GSA Form 1142, Release of Claims;
- GSA Form 1204, Condition Survey Report, or
- A letter indicating the keys are being returned sent certified mail, return receipt requested.

Update STAR to reflect the termination of the old lease.

If GSA has exercised its termination rights to move out before the lease expiration date, complete an “Early Lease Termination” action. (Lease terminations are discussed in Chapter 11, Additional Lease Actions.)

5. Post-Occupancy Deliverables

- The lease requires the Lessor to provide a number of standard items after occupancy. Additionally, other post occupancy deliverables may be required as part of the client agency’s special requirements. The Leasing Specialist should maintain a list of deliverables throughout the SFO development, negotiation, award, post-award, and change order process for reference to confirm that the Government receives all of the information that it is paying the Lessor for.
- The SFO may include items, such as the following, which the Lessor must provide:
- As-built drawings;
- Schedule of periodic services;
- Completion of LEED documentation,;

As-Builts

At this point the Lessor should provide GSA with the final as-built drawings that document the actual construction as performed (as distinct from the initial construction drawings). This is an important requirement of the lease that needs to be enforced, as these drawings are increasingly important to our customers.

- Energy Star documentation;
- Recycling plan; and
- Warranties.
- Additional agency special requirements may include items such as:
 - Verification of HVAC loads for specific rooms, such as 24 hour computer server rooms; and
 - LEED certifications and renewals in subsequent years.
- The Leasing Specialist should remind the Lessor of post-occupancy deliverables and monitor their delivery. If the Lessor fails to deliver any items, the Leasing Specialist should investigate the remedies stated in the lease and enforce the terms appropriately.



Attachments

Procurement Summary Page

**Solicitation for Offers No. XXXXXXXX
[DATE]**

City, State:	
Delineated Area:	
Minimum Sq. Ft. (ABOA):	
Maximum Sq. Ft. (ABOA):	
Space Type:	
Parking Spaces (Total):	
Parking Spaces (Surface):	
Parking Spaces (Structured):	
Parking Spaces (Reserved):	
Full Term:	
Firm Term:	
Option Term:	
Additional Requirements:	

Lease Summary

A. Statement of Requirements.

The Government is seeking a lease for space meeting the following requirements:

Offered space must meet Government requirements for fire safety, accessibility, seismic and sustainability standards per the terms of the Lease. A fully serviced lease [is/is not] required.

Offered space shall not be in the [100/500] year flood plain.

B. Projected Dates.

Offers Due:	
Occupancy (Estimated):	

C. Government Contact.

:	Contracting Officer
:	Leasing Specialist
:	Broker



FedBizOpps Template



GSA Public Buildings Service

U.S. GOVERNMENT

General Services Administration (GSA) seeks to lease the following space:

State:	[.....]
City:	[.....]
Delineated Area:	[.....]
Minimum Sq. Ft. (ABOA):	[.....]
Maximum Sq. Ft. (ABOA):	[.....]
Space Type:	[Office, Warehouse, Retail, Other]
Parking Spaces (Total):	[.....]
Parking Spaces (Surface):	[.....]
Parking Spaces (Structured):	[.....]
Parking Spaces (Reserved):	[.....]
Full Term:	[.....]
Firm Term:	[.....]
Option Term:	[.....]
Additional Requirements:	[.....]

Offered space must meet Government requirements for fire safety, accessibility, seismic and sustainability standards per the terms of the Lease. The proposed leased space shall be fully serviced. Offered space shall not be in the [100/500] year flood plain.

Expressions of Interest Due:	[.....]
Market Survey (Estimated):	[.....]
Offers Due:	[.....]
Occupancy (Estimated):	[.....]

Interested parties should send expressions of interest to:

- [Name]
- [Title]
- [Address]
- [Telephone]
- [Fax]
- [Email]



Sample Price Negotiation Memorandum Template

TASK ORDER NO.

STAR PROJECT No. **INSERT AGENCY NAME**

INSERT CITY, STATE

REQUIREMENT/PURPOSE OF NEGOTIATION:

The **INSERT AGENCY** requires a minimum of **00,000 ANSI/BOMA square feet of office, warehouse, parking, etc space for personnel, furnishings and equipment in INSERT CITY, STATE**. The term is for **INSERT YEARS (00) years, INSERT FIRM YEARS (00) years firm**. The offered space must meet Government requirements for fire and life safety and accessibility requirements, and must have **INSERT UNIQUE REQUIREMENTS**. A minimum of **00 parking spaces** must be available for Government use.

BACKGROUND:

INSERT NAME OF NATIONAL BROKER CONTRACTOR (IF APPLICABLE) received task order from the General Services Administration, on **INSERT MONTH DAY YEAR** with the above space request. An advertisement was posted in Federal Business Opportunities on **INSERT MONTH DAY YEAR** and **INSERT NUMBER** Expressions of Interest were received. In addition to the FBO ad posted, the local market expert surveyed the market for all viable alternatives within the delineated area.

A market survey was conducted on **INSERT MONTH DAY YEAR**. **INSERT NUMBER** buildings were identified that could potentially meet the requirements of the task order:

1. **LIST BUILDINGS BY ADDRESS**
- 2.

The market survey report and market survey forms are located in the Lease file.

METHOD:

Full and open competition

NEGOTIATION OBJECTIVES:

Preliminary negotiation objectives were developed at project inception, updated in response to discussions with the Government during the Task Order and Project Orientation meetings and subsequently finalized.



ITEM	OBJECTIVE RANGE	DATA SOURCE
Shell Rental Rate	[Dollar Amount]	
Tenant Improvement	[Dollar Amount]	
Amortization Rate	[Dollar Amount]	
Base Cost of Service	[Dollar Amount]	
Base Year Taxes	[Dollar Amount]	
Hourly Overtime Rate	[Dollar Amount]	
Adjustment for Vacant Premises	[Dollar Amount]	
Parking	[Dollar Amount]	
Other	[Dollar Amount]	

DESCRIPTION OF ACQUISITION:

The Solicitation for Offer (SFO) Number ____ was issued on **INSERT MONTH DAY YEAR** and initial offers were due **INSERT MONTH DAY YEAR**. **INSERT # OF OFFERS** offers were received. Initial offers are located in the Lease File.

RECORD OF NEGOTIATIONS/ SUMMARY OF NEGOTIATIONS:

Initial offers were received on **INSERT MONTH DAY YEAR, reviewed and abstracted, and deficiency letters were sent in response to these offers on **INSERT MONTH DAY YEAR**.**

INSERT NUMBER second offers were received on **INSERT MONTH DAY YEAR**. Updated negotiation objectives were prepared for each offer and negotiation sessions were held with offerors as follows:

- 1. **INSERT MONTH DAY YEAR** and **OFFEROR NAME** (Identifying the name, position, and organization of each person representing the contractor and the Government in the negotiations): Summarize financial negotiations and discussions with offerors which resulted in material changes to the rate proposal or lease documents. **INCLUDE** items such as rental rate changes or changes to agency special requirements or General Clauses. **Do NOT** include administrative or compliance detail such as initialing pages on government forms, correction of calculation errors, CCR registrations, or other detail unrelated to price or business terms.**

2. **INSERT MONTH DAY YEAR and OFFEROR NAME** (Identifying the name, position, and organization of each person representing the contractor and the Government in the negotiations): Summarize financial negotiations and discussions with offerors which resulted in material changes to the rate proposal or lease documents. **INCLUDE** items such as rental rate changes or changes to agency special requirements or General Clauses. **Do NOT** include administrative or compliance detail such as initialing pages on government forms, correction of calculation errors, CCR registrations, or other detail unrelated to price or business terms.

3. **INSERT MONTH DAY YEAR and OFFEROR NAME** (Identifying the name, position, and organization of each person representing the contractor and the Government in the negotiations): Summarize financial negotiations and discussions with offerors which resulted in material changes to the rate proposal or lease documents. **INCLUDE** items such as rental rate changes or changes to agency special requirements or General Clauses. **Do NOT** include administrative or compliance detail such as initialing pages on government forms, correction of calculation errors, CCR registrations, or other detail unrelated to price or business terms.

A follow-up letter was sent to each Offeror and additional clarifications were received INSERT MONTH DAY YEAR. Copies of these letters can be found in the lease file.

FINAL REVISED PROPOSALS:

Indicate any offerors who withdrew prior to BAFOs, or offers deemed non-responsive to solicitation requirements. These offers were: LIST WITHDRAWN or NON RESPONSIVE OFFERS

Accordingly, Final Revised Proposal letters were issued to the remaining **insert number** Offerors on **INSERT MONTH DAY YEAR** with a response date of **INSERT MONTH DAY YEAR**.

Please refer to the lease file for offer abstracts, correspondence and negotiation notes for each offer.

OFFER COMPARISON:

By the close of BAFO, **INSERT NUMBER** offers were received for this procurement. A present value price evaluation of these offers was conducted by **INSERT BROKER NAME** and submitted to COTR **INSERT COTR NAME** for review and approval. The results of the evaluation, ranked from lowest to highest responsive offer, are summarized below.

1. PV of \$XX.XX per ANSI/BOMA Office Area Foot: INSERT ADDRESS



Lease Commencement and Closeout

↳ 5. Post-Occupancy Deliverables

- a. Summarize additional relevant considerations here, such as “Includes one year’s free rent” or “Deemed non-responsive due to ...”
- 2. PV of \$XX.XX per ANSI/BOMA Office Area Foot: INSERT ADDRESS
- 3. PV of \$XX.XX per ANSI/BOMA Office Area Foot: INSERT ADDRESS

AWARD DETERMINATION (INCLUDING FAIR AND REASONABLE DETERMINATION):

With a net present value of \$00.00 per USF, the offer from INSERT OFFEROR NAME at INSERT ADDRESS is the lowest-priced, technically-responsive offer to the SFO, and as such, is the successful Offeror. INSERT SUCCESSFUL BUILDING NAME /ADDRESS offered the shell rate of \$XX.XX per RSF / \$XX.XX per ABOAF. The objective rental rate stated in the Negotiation Objectives ranged from \$XX.XX to \$XX.XX per RSF. This rate compares favorably with current market conditions, as supported by the Negotiation Objectives prepared for this procurement. [Free text. Insert detail, mitigating circumstances, special requirements which are not customary in the market place, premium for Build-to-Suit, etc. Insert percentage difference between objective and negotiated rates]. The Government has determined that the successful Offeror’s offer is fair and reasonable and that it is in the best interest of the Government to award this lease to the successful Offeror, to meet the requirements identified in SFO Number ____.

Prepared By:

Name:

Date

Approved By:

Contracting Officer

Date