



Topic: Introduction to Leasing

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Link to Series Information: [CES Historical Topics](#)

Question #1: I would like information for the airport leases.

More detailed information can be found in the Leasing Desk Guide – Chapter 20.

Question #2: Where could a third party find the award date?

The award date would be on the Fed Biz Opps (FBO) notice when posted to FBO. It would also be on the letter(s) to the unsuccessful offerors as to who won the award, for what amount and when it was awarded.

Question #3: When can TI be utilized and how long can it go for?

If this question is referring to the Tenant Improvement Allowance (TIA), it is typically used at the inception of the project. The TIA is amortized over the firm term of the lease. However, some Lessors can amortize the tenant improvements (TIs) over the entire term of the lease and at their financial risk. The Government only pays for TIs during the firm term. So, if the lease is for 7 years firm, 12 year term – the Government is only on the hook for the 7 years.

Question #4: If it's not a government owned bldg, would the tenants need to provide a certificate of insurance to the new lessor?

The Government is self insured, so no certificate of insurance is necessary.

Question #4a: When would you provide a certificate of insurance to the lessor?

Same answer as above. There is a letter that can go out to Lessors which basically states that the US Government is self insured, therefore a certificate of insurance is not necessary.

Question #5: What is excluded from "net" annual rent? Op Cost, TI Cost, Security costs?

Operating costs are excluded from net annual rent.

Question #6: So the term executed and awarded mean the same thing?

No. Executed means when the Lessor signs the Lease and the Contracting Officer (CO) countersigns it – then it is considered “executed”. The actual transmission of the Lease itself to the Lessor is when the Lease is “awarded”. Execution without transmission does not constitute an award. This is why we should never send a Lease to the Lessor and say the Lease has been “awarded” and for them to sign the Lease. It has not been awarded at the transmittal stage to obtain their signature because the CO still has to sign it and then send it back to the Lessor.

Question #7: Are change orders to the build out of TIs for Simplified Leases done "Post Award" as was stated in the class or "Post Occupancy" (after the agency has occupied the space)? In the Simplified Lease, everything is negotiated and agreed upon pre-award. Once the award is made, the pricing is now the firm fixed pricing that was accepted for the award. IF a change order is required, then it would happen “post-award”. I just wanted that clarified. Post Award, after the lease was awarded, could be long before the agency actually has moved into the space (Post Occupancy.) This sounds like we could get an RWA in the middle of the project for a change order and execute it. IF a change order is required, remember that the pricing has already been negotiated and agreed upon. All of that funding has been built into the lease. You cannot accept a change order without the funding to pay for it, or you are anti-deficient. The funding would be a Reimbursable Work Authorization (RWA) and it can happen in the middle of build out.

The reason I keep capitalizing the word “IF” is because this model is not to be used if the requirements are not known up front. This is for very minimal build out that does not require lots of changes. However, change orders can occur but it is up to the Project Manager (PM) running the project from the start to make sure that the requirements are sound enough to bid out and that all of the requirements are captured from the agency so that no changes will be necessary. That is new information to me if so. I thought that needed to occur Post Occupancy? If there is a change that requires substantial re-work of the design, then that would now be considered an alteration project and would be handled as any other alteration project. In this instance, it would be Post-Occupancy and paid for via a RWA.

Question #8: Will you please define "source selection"?

The term “source selection” means the processes and techniques for selecting a source or sources outlined in Part 570 of the GSAM. These include both the lowest priced technically acceptable (LPTA) process and the tradeoff process. The goal is for the Government to accept the proposal that is the best value. This can be achieved by what is referred to as lowest price, technically acceptable. Meaning the proposal is the lowest evaluated price, as well as technically acceptable. In some circumstances where the requirements are not as detailed or there is more risk involved, then cost and price may not be a dominate award factor. How soon the space could be built out and delivered may take precedence over price, for example. Past performance is always an award factor, however.

Question #9: So are change orders to Simplified Leases done Post Award as you said or rather Post Occupancy?

The objective of a Simplified Lease action is to have minimal build out that is priced out and delivered as a firm fixed price. The award is based on the firm cost of everything to include the tenant improvements. Change orders can happen if they do not affect the price or the schedule. Since all of the requirements were delivered pre-award, there should not be any changes or if there are, minimal. Any significant changes would happen post-award as an alteration project and payable by a Reimbursable Work Authorization (RWA).

Question #10: So essentially RLP replaces SFO?

The Request for Lease Proposal (RLP) and Lease basically replace the Solicitation for Offers (SFO). The “how to” part of the SFO is now all housed in the RLP and the contractual side of the SFO is now all in the Lease.

Question #11: Can the Lessor be required to provide carpet and paint when the lease is "renewed"?

“Renewed” – meaning a succeeding lease? In a succeeding lease, the Lessor is required to carpet and paint at the Lessor’s expense. Since the cost is built into the rental rate, I suggest not having the cyclical painting and carpeting happen on the 10th year of a 10 year lease. I suggest asking for it on year 6 or 7 for example to ensure the Government receives what was paid for.

Question #12: Hello - we were recently given feedback on an advertisement from potential lessors wondering why the solicitations weren't organized by function - like electrical, plumbing, mechanical, services and maintenance, etc so that the package could be broken up for subcontractors and the bidding process, as well as ease in administration of the lease. Currently there are requirements for these all throughout the package and items are missed in pricing. Also, it would be very helpful to combine the R101 and the L201 into one document, our lessors are extremely confused by the 2 packages especially since there is duplication in information. Thank you

The best way to explain it is that the shell is broken out separately from the tenant improvement sections and then within those sections, they are categorized by HVAC, plumbing, etc. The comments that we had from the market pre-Lease Reform is that items that were shell and tenant improvements were not clear and were sometimes in the same paragraph. The goal of the shell and tenant improvement sections is for the Lessor/Bidder/Offeror to physically take that section and go bid it out.

To the second point, if we combined the RLP and the Lease we would be back to having the TI-SFO. That document created problems because the word Lessor was used interchangeably with Offeror. The separation came about because we wanted the Offerors to see up front what was requested of them in order to be considered for the award and then after award, the Lease

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took over. At that point, there would be no more “Offeror” and we would now have a “Lessor”.

Question #13: In the simplified lease, where does the actual TI dollar amount come from - the lessor in his proposal or the TI Allowance in the draft OA based on the GSA formula?

The actual tenant improvement (TI) amount comes from the pricing that the Offeror provided based on the Agency Specific Requirements (ASR) that went with the lease package. They have everything needed to prepare pricing and that is what the award is based on. That pricing is not just a place holder, it is what the Offeror states it will cost to prepare the space for occupancy. Please remember, this is only for the simple build outs – not for anything major or complex. Ideally, we would have an IGE (Independent Government Estimate) prepared as our benchmark for negotiations. That amount would go into the Occupancy Agreement (OA)OR the general allowance could be used as well. Then once the award was ready to happen, the actual agreed upon cost could go into the OA prior to award.

Question #14: So award is after official execution. Is there a term you use for notification to Lessor that he has been selected and will eventually be the "Lessor"?

Yes – we would refer to them (internally) as the apparent successful offeror. When we transmit the Lease to them, the letter that is used is the Lease Transmittal letter. We avoid saying the “Award Letter” or using words in the letter like Congratulations, the Government is awarding you the lease....etc.” It is not awarded until the Contracting Officer (CO) executes it and then sends it back to the Lessor. When the Lessor receives the Lease with their name on it, they should (hopefully) realize they won the award.

Question #15: Option 1 - TI negotiations can take time, is there a time limit you allow feedback from Offerors? Unit cost/pricing - what is the level of detail required of Offeror?

TI (tenant improvement) negotiations with an award hanging over the heads of those competing moves quickly and significantly faster than after award. Depending on the size of the procurement and the level of complexity of the ASR (agency specific requirements) I would give anywhere from 2-4 weeks. The Offeror(s) is/are required to complete the TICS (Tenant Improvement Cost Summary) table and return it with their offer. The level of detail required can be increased if the CO (Contracting Officer) desires to see a deeper level of detail. If lump sum is given and back up documentation is required, then the CO can ask for supporting documentation from the Offerors.

Question #16: Who does Arch. Iterations? - Lessor, GSA. Does Tenant Agency provide generic to kick-start process?

If the agency has a schematic that was used for a similar build out, and wants to duplicate that design in a new project, then that can be used in conjunction with the ASR when the solicitation package goes out to the market. Per the pricing policy, the Lessor is to do the DID (design

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intent drawings) as a part of the shell rental rate. It used to be a TI cost. So, if the customer is creating the DIDs, make sure you get that cost back as the Lessor built it into their shell rate.

Question #17: Is there a max/min length of a succeeding lease?

No, as long as it can score as an operating lease and not a capital lease.

Question #18: Where can I find the Leasing Desk Guide?

<http://www.gsa.gov/portal/category/105079>

Question #19: You said the RLP becomes useless however some realty specialists attach it as part of the full lease package. So it should not be attached to the executed lease?

It becomes useless after award. It would go out with the Solicitation package, but after award the “how to” portion of the procurement has ended. (The Lease document itself does not list it as an attachment to the Lease.)

Question #20: If in the process of TI tenant needs a construction that actually increases the RSF, who is responsible for the construction cost since it has improved the property?

If the square footage has increased due to the fact that the customer needs the construction, then it would be a tenant improvement cost. However, make sure that a new lease amendment is created to account for the new square footage before any improvements start. The Lease Amendment should also state what the costs are to prepare that additional space and how it will be paid for. (Both have to be completed or it is considered Anti-Deficient)

Question #21: Why was the Radon Level moved up from 4 to 25?

The old standards were updated.