



Client Enrichment Series

Welcome to today's presentation on

Advanced Topics in Leasing - The Succeeding Lease Process

The presentation will start at 2:00 p.m. Eastern time

Note: Please be sure to mute your phones. You have the ability to send questions to the host and presenters through your questions pane. All questions will be recorded and as many as possible will be answered during the presentation. All questions will be captured, and answers sent to all participants prior to our next presentation.



Client Enrichment Series

Advanced Topics in Leasing – The Succeeding Lease Process

Hosted by Dawn Warner, Regional Account
Manager, GSA Region 8



Presented by Christy Sebring, LCO/PMP®,
Office of Leasing



GSA Public Buildings Service

Components of a Succeeding Lease Action

- Succeeding Lease
- Succeeding Lease Decision Tool
- Justification for other than full and open competition (OTFO)
- Negotiation Objectives and Negotiations
- Market Analysis
- Price Negotiation Memorandum (PNM)
- Posting a redacted Justification on FBO

Succeeding Lease GSAM 570.402

- **570.402-1 General.**
- (a) If a succeeding lease for the continued occupancy of space in a building does not exceed the simplified lease acquisition threshold, the contracting officer may use the simplified procedures in **570.2**. Explain the absence of competition in the contract file.

Succeeding Lease GSAM 570.402

- b) If a succeeding lease will exceed the simplified lease acquisition threshold, the contracting officer may enter into the lease under either of the following conditions:
 1. The contracting officer does not identify any potential acceptable locations.

Succeeding Lease GSAM 570.402

2. The contracting officer identifies potential acceptable locations, but a cost-benefit analysis indicates that award to an offeror other than the present 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.

Succeeding Lease: Requirements Development

- Agency is satisfied with space
- Minimal alterations required
 - Carpet/paint refresh
 - No significant changes to the space are needed

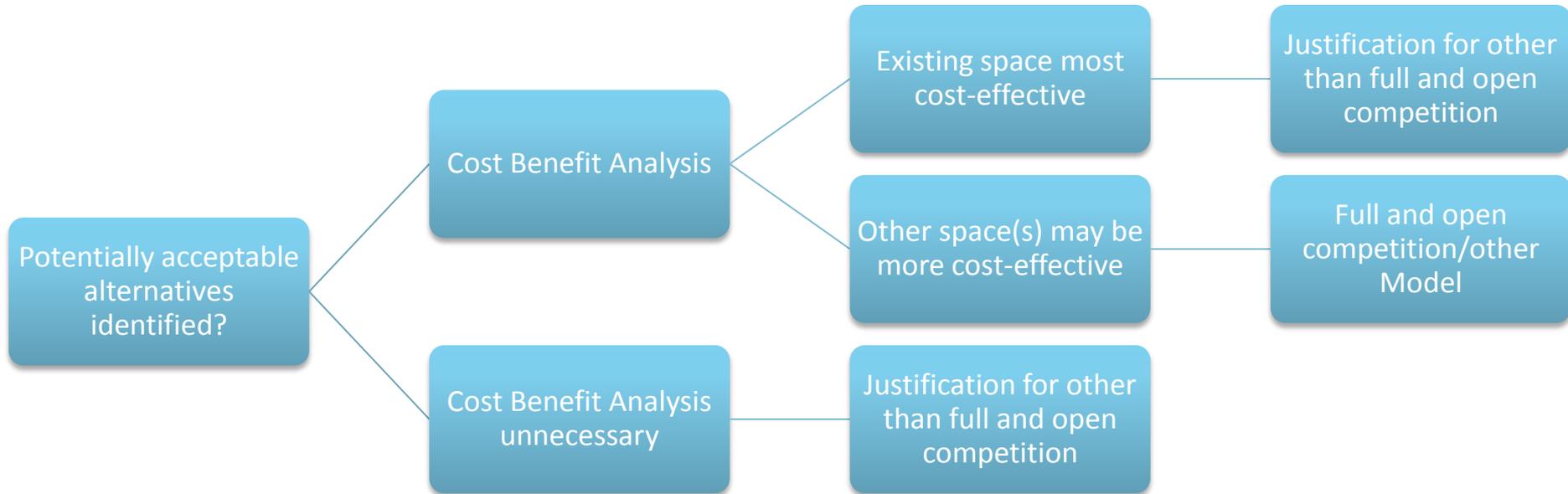
Negotiation Objectives

- Includes
 - Current market rates (including the existing space less the tenant improvements)
 - Comparable leases in the area
 - A reasonable range of rates based on actual data
 - Negotiation strategies
 - Sign and date

Succeeding Lease: Pre-Solicitation

- Market research
 - Advertise over 10,000 SF (LDG suggests advertising for all succeeding leases)
 - Market Analysis/Negotiation objectives template
- Justification for other than full and open competition
 - Basis for LS to negotiate with a single source (existing Lessor)
 - Cost benefit analysis supports that staying is cost effective

Succeeding Lease: Cost Benefit Analysis Necessary?



Considerations for a cost-benefit analysis

- Are you
 - considering that market offered rates do not often contemplate a fully serviced lease? Must have an apple-to-apple comparison.
 - adjusting the market rates from vanilla space to specialized space? Think about holding cells, wareyards, lab space, etc.
 - confident of what a “substantial” cost could be for relocation, duplication and move costs to rule out other alternatives?

Succeeding Lease: Solicitation

RLP and Lease

- Paragraphs related to location, TI build-out, and some submittals have been deleted or modified
- Eligibility and preferences for award are modified
- Premises are accepted as-is except for ABAAS, Security, Life Safety, and ENERGY STAR

GSA Form 1364-S

- LS must fill out existing lease information before sending to current Lessor to complete
- Basis of lease negotiation

Succeeding Lease – Leasing Desk Guide

Chapter 5

- Before executing a succeeding lease, the Leasing Specialist must conduct due diligence by touring the current lease location.
- The Leasing Specialist cannot base review on agency or field office reports regarding the space.
- The Leasing Specialist **must** tour the space to confirm that its condition, accessibility, fire safety features, and other attributes meet current lease standards.

Justification for Other than Full and Open Competition (OTFO)

- There are 11 mandatory sections to be completed for an OTFO
- Identification and description of action being approved
- Description of supplies or services required
- Identification of statutory authority
- Demonstration that the acquisition requires use of the authority cited

OTFO (continued)

- Description of efforts to solicit as many offers as practicable
- Demonstration that the anticipated cost will be fair and reasonable
- Market data for the area
- Other facts supporting the use of other than full and open competition
- List of sources that expressed an interest in the acquisition

OTFO (Continued)

- Statement of actions to overcome barriers to competition
- Contracting officers determination and certification

To advertise or not to advertise?

- Same rules apply to the 10,000 sf or less – do not need to advertise
- Expression of Interest for Succeeding Leases differs from a Full and Open Competitive procurement.

Succeeding Lease – Leasing Desk Guide

Chapter 5

- The Leasing Specialist must compare the informational quotations to the present lessor's price, adjusted to reflect the anticipated price for a succeeding lease.
 - Tenant Improvements from prior lease should have dropped off by now, if they were amortized.
 - How motivated is the Lessor to provide a competitive rate in order to obtain a follow on lease?

Strategies to a successful succeeding lease

- Advertising when you don't "have" to
 - provides necessary motivation to the existing lessor.
 - provides a current gauge of the market to see what could be an practicable alternative.
 - is just an Expression of Interest and not a notice for a competitive procurement.

Succeeding Lease: Documents

- Succeeding/Superseding Decision Tool
- Market Survey Analysis and Negotiation Objectives Template
- Succeeding/Superseding RLP (GSA Form R102)
- Succeeding/Superseding Lease (GSA Form L102)
- Proposal to Lease Space (GSA Form 1364-S)

Negotiation No-No

- Negotiations with the lessor must **not** be conducted until the Justification is approved by the appropriate authority.

Justification Memo to the File

- Name it “Memo to the File” – not Justification for Other than Full and Open Competition
- When citing the authority, use the SLAT Authority which is GSAM Part 570.2, instead of the succeeding lease authority. This gives you the authority to use a memo to the file.
- Make sure the memo to the file is robust enough to state what steps were taken and how the decision was made to award to the incumbent.

What comes next?

- After the Justification has been approved and signed THEN a proposal can be requested from the incumbent.
- Negotiate the proposal to make sure that it is fair and reasonable based on your market research.
- After award, a redacted Justification must be posted on FBO within 14 days of award.

Required Contents of a Price Negotiation Memorandum (PNM)

- Requirement
- Authority
- Method
- Market analysis
- Market survey
- Negotiation objectives

Required Contents of a Price Negotiation Memorandum (PNM)

- Other negotiation objectives
- Amendments
- Record of negotiations
- Evaluation
- Conclusion

Succeeding Lease Model

- Expedited stay-in-place solution .
- Requirements have not significantly changed.
- It allows for the space to be somewhat considered “as-is” without any significant modifications.
- Advertise in FBO as a succeeding lease so the market knows that there is a Government requirement.

RE-CAP

- Make sure a succeeding lease really does make fiscal sense in the long run.
- A Simplified Lease (and process) can/should be used for succeeding leases under SLAT.
- Can't have discussions/negotiations with incumbent prior to the OTFO.
- Always advertise to gauge the market and to convey to the incumbent and market that we are looking for options.



Questions?

Contact information

Clientenrichmentseries@gsa.gov

Dawn.warner@gsa.gov

Thank you for attending today's session!!