

Welcome to today's presentation on:

WebEx: Introduction to Leasing

Presented by: Ling Xu

Senior Realty Specialist

Center for Lease Acquisition Program Services

Note: Phones are automatically muted during the presentation. You have the ability to send questions to the host and presenters through the chat feature. They will answer as many of the questions as possible at the end of the presentation. All questions will be captured, and answers sent to all participants within 2 weeks.

If there are multiple attendees at your location, please indicate your city and the number in your group in the chat window (i.e. San Francisco – 3)

Introduction to Leasing



Presented by: Ling Xu
Senior Realty Specialist
Center for Lease Acquisition Program Services



Hosted by: Matthew Madison
Director of Client Solutions
Public Buildings Service



Client Enrichment Series

Introduction to Leasing

Presented by: Ling Xu
Senior Realty Specialist
Center for Lease Acquisition Program Services



GSA Public Buildings Service

Agenda



- History of Lease Reform
- The Lease Process
 - Documents
 - Key client interactions
- Lease Reform – the future

GSA Mission Statement

- The mission of GSA is to deliver the best value in real estate, acquisition, and technology services to government and the American people.



History of Lease Reform

Lease Reform Goals

- Streamline
- Standardize
- Simplify

...the leasing process



History of Lease Reform

Outcomes

- National Consistency
- Policy and guidance easier to use
- Cycle times reduced
- Competition promoted

History of Lease Reform

Models

- Standard Model
- Succeeding/Superseding Model
- Simplified Model
- Streamlined Model
- On Airport Model
- Warehouse Model



The Lease Process

Pre-Award

- Requirements Development
- Market survey
- Solicitation
- Negotiations



The Lease Process

Post Award

- Design Phase (DIDs and CDs)
- Tenant Improvement (TI) Negotiation
- Construction Phase/ Build-Out
- Acceptance & Occupancy

The Lease Process - Getting to know you

- Project Manager (PM)
- Leasing Specialist (LS)
- Lease Contracting Officer (LCO)
- Broker
- Lease Administration Manager (LAM)



Lease Process - Standard

Requirements Development

- Delineated Area
- Square Footage
- Special Requirements

Solicitation

- RLP Package

Post Award

- DIDs/CDs
- TI negotiation
- Build-out
- Acceptance/Occupancy



Step 1

Step 2

Step 3

Step 4

Step 5

Award

Pre-Solicitation

- Market Survey

Negotiations

- Rate based on TI allowance

Requirements Development

- GSA sends tenant agency a “Lease Expiration Letter” prior to lease expiration date
- Letter requests agency’s “continuing needs”
- Agency should respond within 3 months



Requirements Development

- OMB memorandum of March 2015
- Request for Space
 - SF-81
 - Letter, E-mail, Phone Call, Client Meeting
- Interactive process between GSA and agency
 - Confirmation/Clarification on submitted information
 - May reference an agency's Space Allocation Standards and/or Design Guides



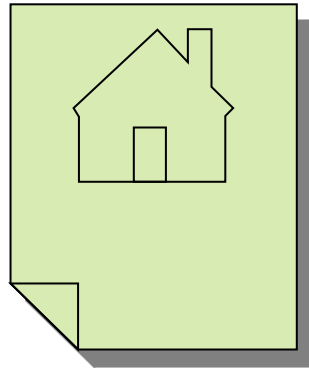
Requirements Development

- Determine Basic Requirements
 - Square Footage
 - Delineated Area
 - Term
- Identify Unique and Special Requirements
- Agency Specific Requirements (ASRs)



Housing Strategy - Where to place the agency?

- Available space in federal buildings
- Available vacant space in leased inventory
- Available space in commercial market
- New federal construction (rare)



Occupancy Agreement (OA)

- Preliminary agreement/quasi-contract between GSA and agency
- Budget tool: preview of customer's rent charges
- Clauses- statement of business terms
- Financial Summary
- Iterative document



AGENCY: Sign OA

Occupancy Agreement (OA)



Occupancy Agreement (OA)

- Documents agreement between PBS and tenant agency for agency to pay rent to GSA versus the binding contract between GSA and Lessor
- Budgetary tool ensures PBS does not incur financial obligations in excess of terms the tenant agency customer is willing to commit
- Helps to eliminate rent disputes between agencies and GSA

Lease Process - Standard

Requirements Development

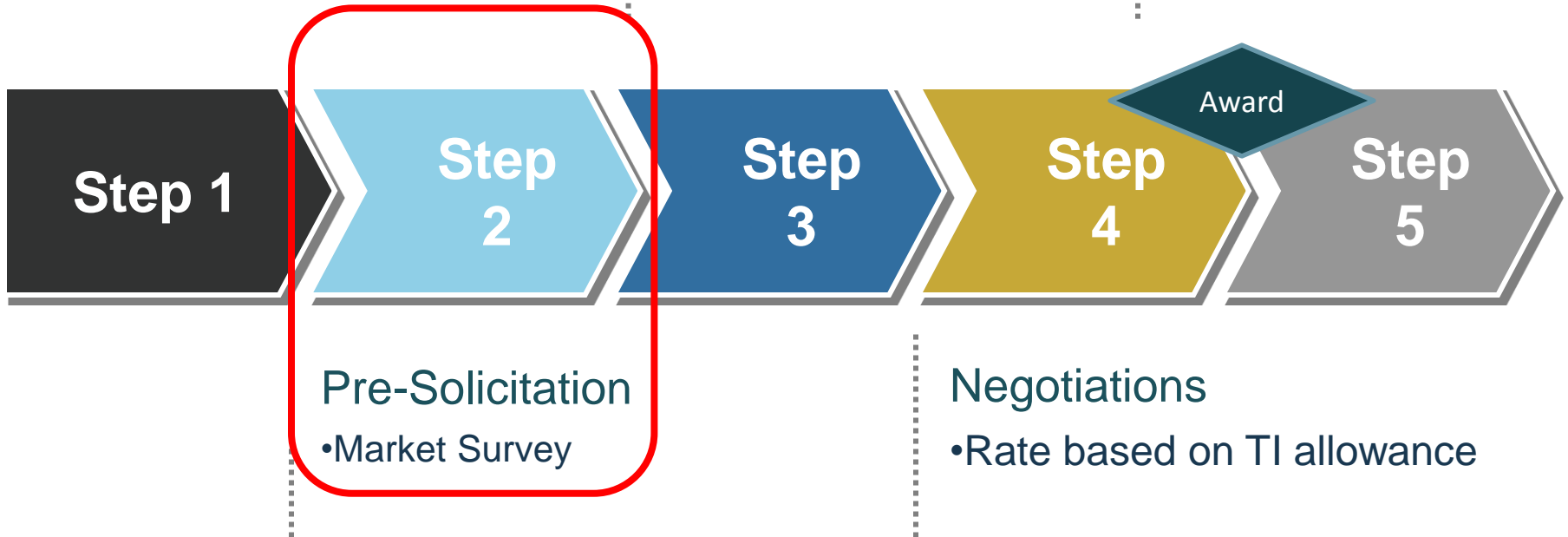
- Delineated Area
- Square Footage
- Special Requirements

Solicitation

- RLP Package

Post Award

- DID/CDs
- TI negotiation
- Build-out
- Acceptance/Occupancy



Market Survey

Purpose:

- Identify all potential acceptable properties that can house agency
- Foster competition
- Obtain a sense of market conditions
- Develop negotiation objectives



Market Survey

- Conduct Market Research
- Advertise, as Needed
 - Requirement of 10,000 SF and above
 - Requirements that are in smaller submarkets that might otherwise lack adequate competition



AGENCY: Review draft advertisement, if applicable

Market Survey

- Schedule Market Survey: key players
 - Agency representatives
 - GSA Leasing Specialist/Lease Contracting Officer, Broker, Field Office representative
 - Federal Protective Service
- Discuss ground rules



AGENCY: Provide availability

Market Survey

- Tour potential properties with building owner, agent or representative
 - Building and common areas
 - Within premises/space
- Market survey form
 - Site and surrounding neighborhood features
 - Architectural features
 - Space characteristics
 - Conformity with accessibility & fire safety standards



AGENCY: Attend Market Survey

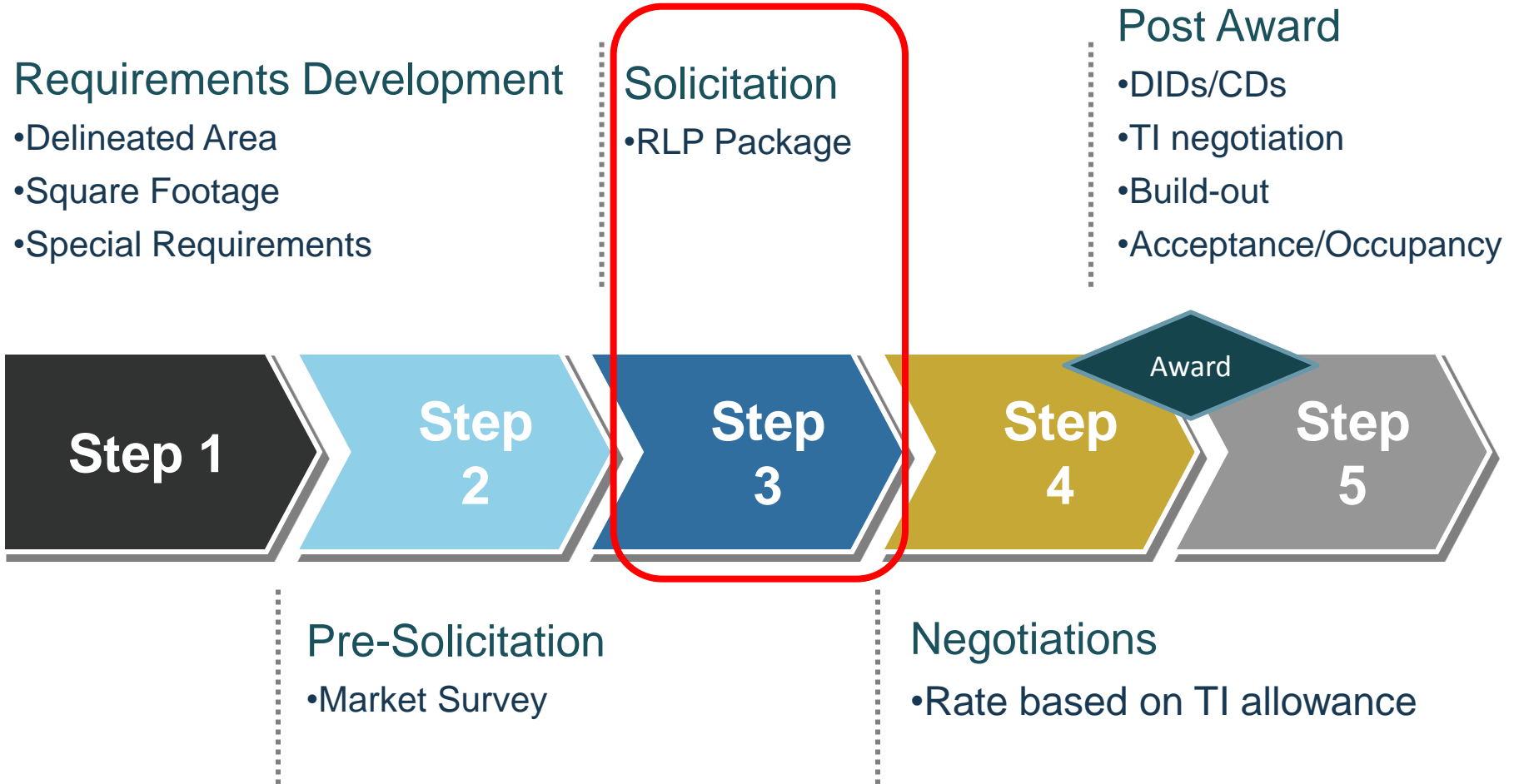
Market Survey

- For each location, reach consensus with agency whether or not building is capable of meeting their requirements
- End result is list of offers/locations to receive Request for Lease Proposals (RLP) package



AGENCY: Sign Market Survey Report/Form

Lease Process - Standard



Request for Lease Proposals (RLP)

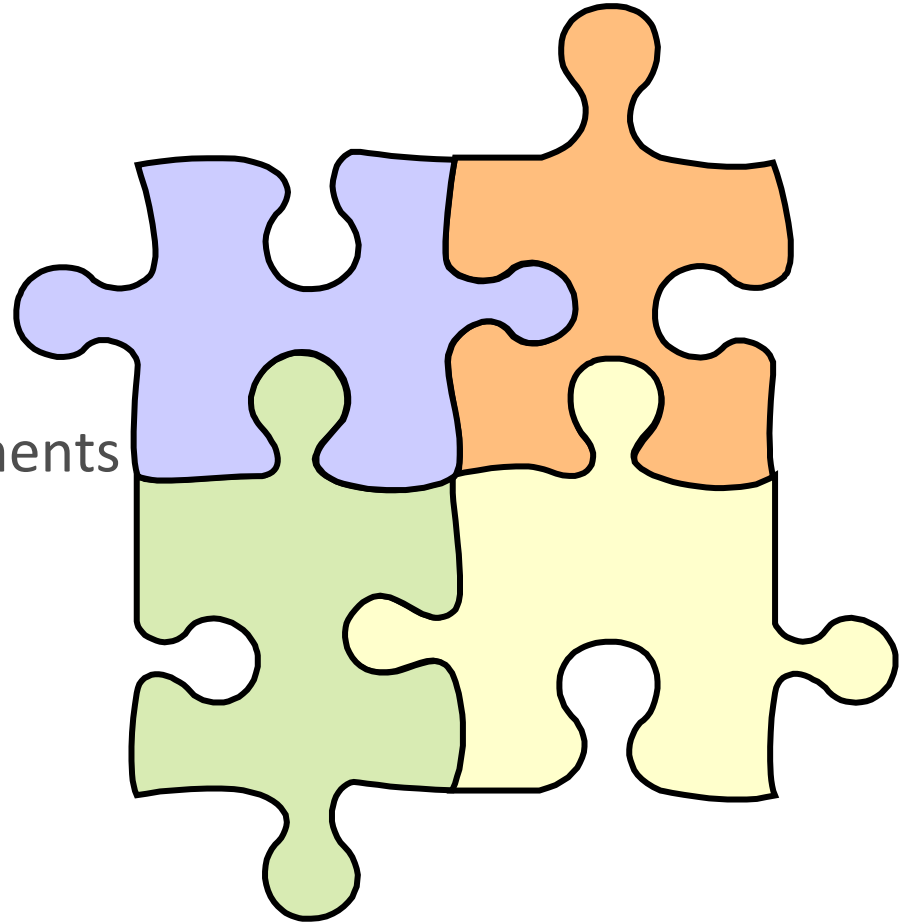
- Performance-based, not prescriptive
- Major procurement implication: results in an offer
- Must be issued to all parties with acceptable locations
 - Usually solicit current Lessor
 - Always send copy to agency and field office



AGENCY: Review/Approve RLP package

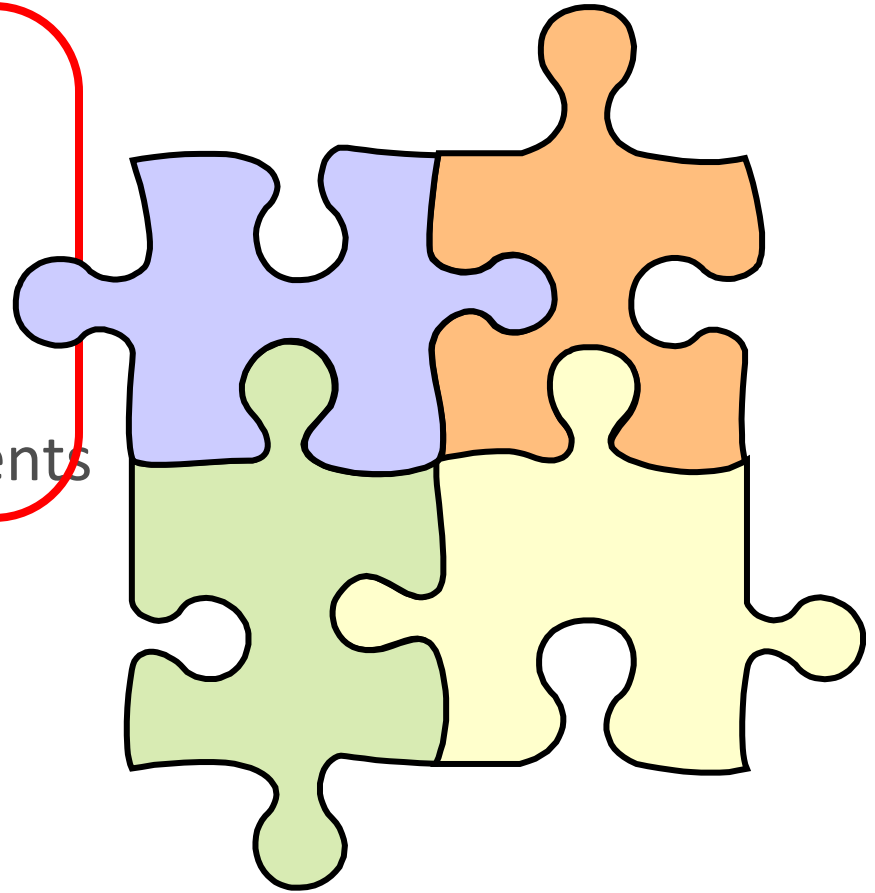
RLP Package Components

- RLP (GSA Form R101C)
- Scope of Work
 - Lease (GSA Form L201C)
 - ISC security specs
 - Agency Specific Requirements
- “The Fine Print”
 - Solicitation Provisions
 - General Clauses
- Offer Forms



RLP Package - Client Focus

- RLP (GSA Form R101C)
- Scope of Work
 - Lease (GSA Form L201C)
 - ISC security specs
 - Agency Specific Requirements
- “Ground Rules”
 - 3516 (Procurement)
 - 3517 (Lease)
- Offer Forms



Request for Lease Proposals - The Five Sections

- Section 1 – Statement of Requirements
- Section 2 – Eligibility and Preferences for Award
- Section 3 – How to Offer
- Section 4 – Method of Award
- Section 5 – Additional Terms and Conditions

Section 1- Statement of Requirements

Starts to answer basic questions of the lease procurement

- What...are we looking for?
 - Amount of space
 - Type of space, lease term
 - Fully serviced, fully-built out
- Where... does the space need to be located?
 - Delineated area
 - Neighborhood amenities, parking and public transportation
- Who...gets the proposal?
 - GSA Leasing Specialist, Lease Contracting Officer, National Broker firm, etc.

Section 2 – Eligibility and Preference for Award

- Provides Go/ No Go Minimum Requirements
 - Flood Plains
 - Seismic Safety
 - Asbestos
 - Accessibility
 - Fire Protection and Life Safety
 - Security
 - Energy Independence and Security Act

Section 3 – How To Offer

- Describes the offer submittal requirements (pricing forms, building and site information, floor plans, etc.)
- Addresses financial capability
- Scoring and prospectus limitations addressed
- States required TI Allowance

Tenant Improvement Allowance

- Funding source that enables the space to be built out
- Two components
 - General
 - Custom
- Can only be used to pay for items that are real property, or which become real property when attached or affixed to the building

Tenant Improvement Allowance

- Usually amortized over firm term of the lease
- If full allowance is not used for initial build-out, no longer available
- Rent payment is lower if an amount less than the allowance limit is used
- Alterations above the TIA or occurring after occupancy are funded by agency via RWA

Section 4 – Method of Award

- Outlines basis for award determination
 - Lowest price
 - Best value (award factors)
- Price evaluation based on net present value analysis (discounting)
 - Rent
 - Relocation expenses
 - Overtime
 - TI overhead fees (Lessor and A/E)

Section 5 – Additional Terms and Conditions

- Space for additional pre-award considerations
 - Eligibility requirements
 - Submittal requirements
 - Award considerations
- Includes cross-references to modification of standard paragraph language
- Should **not** include agency's special requirements

The Lease - The Seven Sections

- Section 1 – Premises, Rent and Other Terms
- Section 2 – General Terms, Conditions and Standards
- Section 3 – Construction Standards and Shell Components
- Section 4 – Design, Construction & Post-Award Activities
- Section 5 – Tenant Improvement Components
- Section 6 – Utilities, Services & Obligations During the Lease Term
- Section 7 – Additional Terms and Conditions

Section 1- Premises, Rent and Other Terms

- Left blank at RLP issuance
- Will be filled in by GSA at award
- Captures the terms of the deal
 - Square footage, rental rates, OT rates, % of occupancy, etc.

Section 2 – General Terms, Conditions and Standards

- Applies to all deals
- Definitions
- Adjustment provisions
 - Tax escalation
 - Operating Escalations
 - Adjustment for Vacant Premises
- Non-operational ownership issues
 - Waiver of Restoration
 - Change of Ownership

Section 3 – Construction Standards and Shell Components

- Addresses what owners need to know to prepare shell rent rates
- Specifications related to shell or overall building construction
- If not defined as Operating, TI, or Building Specific Amortized Capital, it's considered a shell cost

Section 4 – Design, Construction & Post-Award Activities

- Addresses the sequence of events after award
 - Schedule and deliverables
 - Working days, not calendar days
- DIDs/CDs
- Acceptance of TI buildout is final and binding, except for punchlist items
- As-builts

Section 5 – Tenant Improvement Components

- Addresses how the space will be built out
- Finishes
 - Minimum of 3 finish options
 - 10 working days to submit
 - 10 working days for Government selection
- Includes latest paint and carpet specifications

Section 6 – Utilities, Services & Obligations During the Lease Term

- Addresses what services are required over the life of the lease
- Cyclical paint and carpet schedule found here
 - Refresh should not coincide with lease expiration
- HVAC : Local commercial equivalent temperature level and operating practices

Section 7 – Additional Terms and Conditions

- Allows for additional lease requirements
- Includes cross references to modification of standard paragraph language
- Special requirements can be here, or as a separate ASR package

Lease Process - Standard

Requirements Development

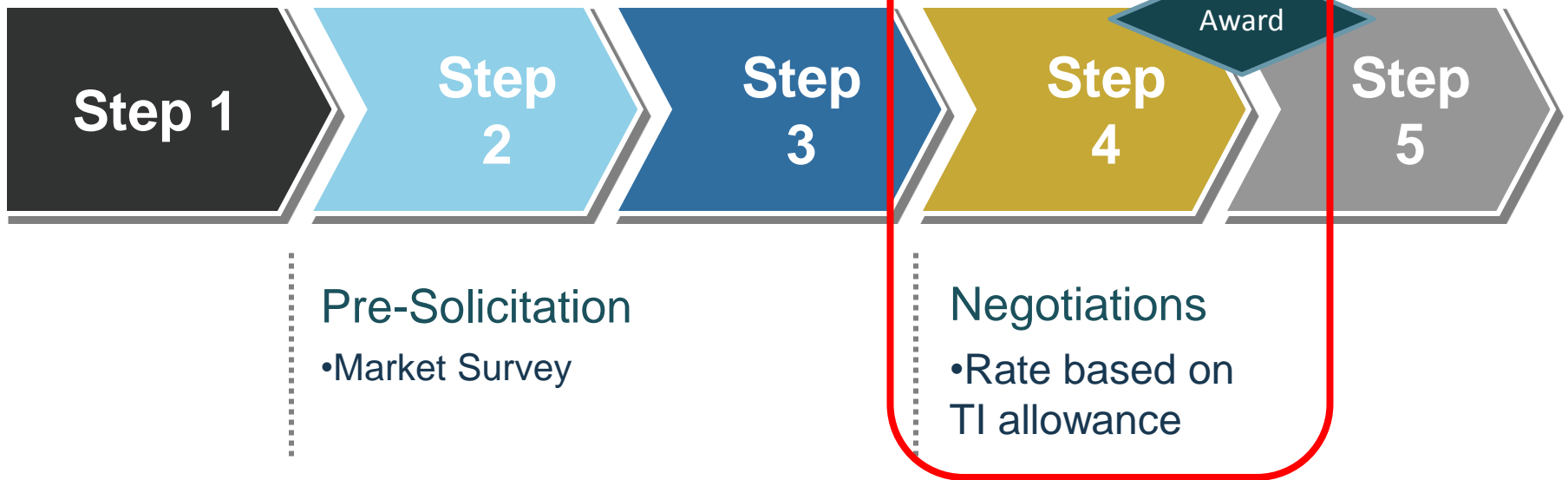
- Delineated Area
- Square Footage
- Special Requirements

Solicitation

- RLP Package

Post Award

- DID/CDs
- TI negotiation
- Build-out
- Acceptance/Occupancy



Negotiations

- Evaluate offers solely in accordance with the factors and sub factors stated in the RLP
- Identify deficiencies, inconsistencies, and deviations
- Review elements of the proposed rent to analyze whether individual elements are realistic and reflect offeror's clear understanding of the work to be performed
- Obtain revised offers (as needed)
- Ensure proposed contract price is fair and reasonable

Negotiations - Rent Components

- Shell costs
- Operating costs
- TI amortization rate
- TI overhead fees
- Real estate taxes
- Hourly overtime rate
- Building Specific Amortized Capital
- Parking



Negotiations - Final Proposal Revision (FPR)

- Conclude negotiations with request for Final Proposal Revisions (FPR)
 - No revisions to offer considered after FPR date
- Determine Best Offer
 - Lowest Priced Technically Acceptable Offer
 - Best Value/Tradeoffs

Award

- Send Agency Recommendation Letter and Revised OA to sign and return based upon negotiated terms



AGENCY: Sign OA

- Transmit 2 copies of lease to successful offeror
- Execute lease contracts, return one copy to Lessor
 - Provide copies of lease contract to agency and field office
 - Notify unsuccessful offerors
 - Post award notice in FedBizOpps



Lease Process - Standard

Requirements Development

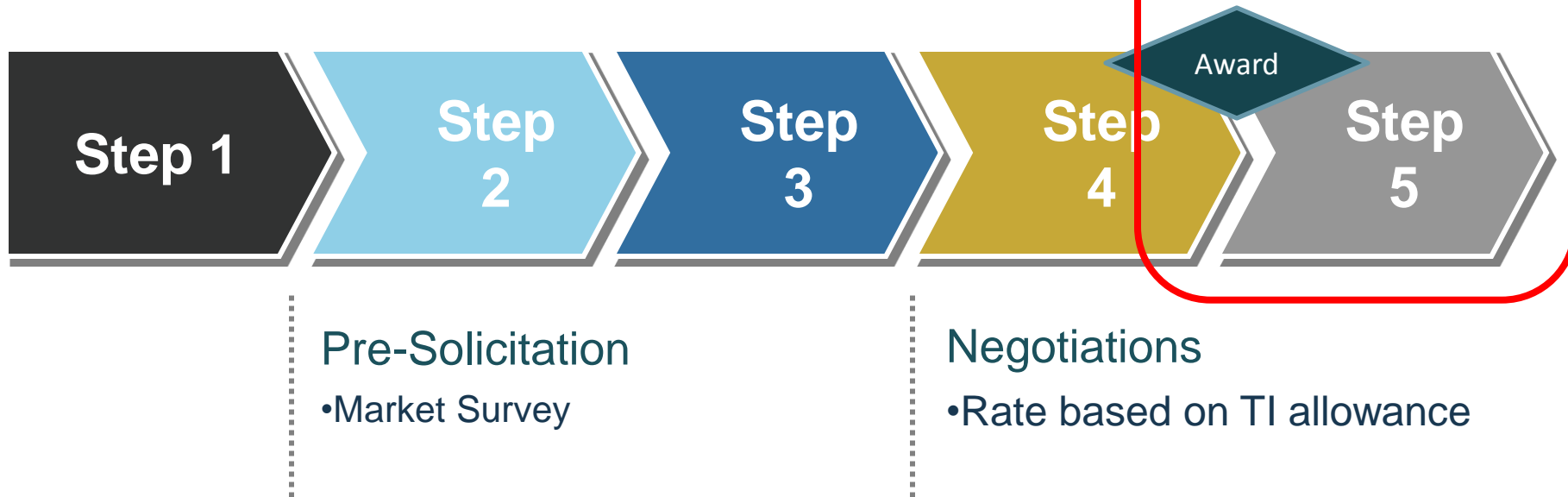
- Delineated Area
- Square Footage
- Special Requirements

Solicitation

- RLP Package

Post Award

- DID/CDs
- TI negotiation
- Build-out
- Acceptance/Occupancy



Pre-Solicitation

- Market Survey

Negotiations

- Rate based on TI allowance

Design Intent Drawings (DIDs)

- Also known as floor plans, layout, fit-out plans, space plan
- Can be provided by Lessor, Agency, or GSA
- Typically Include:
 - Partitions/Doors/Hardware/Finishes
 - Telephone/Electric outlets/IT/Security
 - Millwork/Specials
 - Generic Furniture layout

Design Intent Drawings (DIDs)

- May have design kickoff meeting to generate
- Consider DID Workshop (best practice)
- Review and Approve
 - GSA and Agency
 - Codify in a Lease Amendment



AGENCY: Develop or Review DIDs, choose finish selections

Construction Documents (CDs)

- Always provided by Lessor's A/E
- Approved DIDs are the baseline
- GSA DOES NOT APPROVE CDs
- Require A/E seal for building permits
- Used by Lessor for obtaining construction bids for tenant improvements



May be reviewed by GSA/Agency

Tenant Improvement Negotiations

- “Procurement Within a Procurement”
- Lessor bids out the CDs for TI work only
- Lease requires bids from 2 or more separate General Contractors (GC)
- GSA may prepare Independent Government Estimate (IGE) to compare against bids

Tenant Improvement Negotiations

- Review proposals
- Identify questions, discrepancies, etc.
- Confirm no shell items are included in TI Proposal
- Verify price is fair and reasonable
- If TI Costs exceed the TI Allowance an RWA is required
- Issue Notice to Proceed (NTP) for construction



AGENCY: Provide RWA if needed

Construction Kick-off Meeting

- Include all Parties
 - GSA/Broker
 - Lessor (A/E and GC)
 - Agency
 - Field Office
- Review Roles and Responsibilities
- Establish Communication Protocols
- Review project requirements, submittals and schedule
- Conduct Progress Meetings/Site-Visits/Inspections, as Needed



Agency Vendor Coordination



AGENCY: Coordinate with Vendors

- Installation of:
 - Furniture
 - IT
 - Security
 - Telecom
 - Other
- Impact on schedule



Accepting the Space

- Lessor notifies GSA two weeks prior to construction completion for final inspection
- Who attends?
 - Leasing Specialist/Lease Contracting Officer
 - Agency representative (facilities & local)
 - Lessor (A/E & GC)
 - Field Office representative
 - FPS

Accepting the Space

Final Inspection

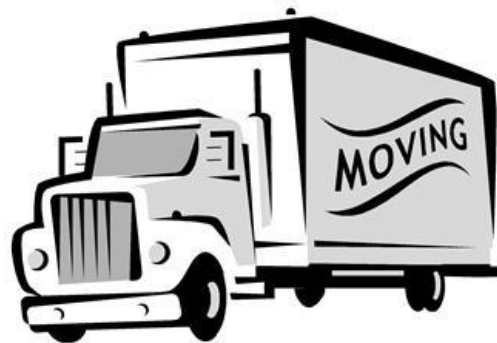
- Generate Punch List
- Determine substantial completion
- Obtain Certificate of Occupancy
- Reach agreement on space measurement
- Accept Space and Acquire keys



AGENCY: Attend and document acceptance via signed GSA Form 1204

Moving Day!

- May request GSA Field Office to coordinate
- GSA Field Office would also take over at this point as the agency's main POC



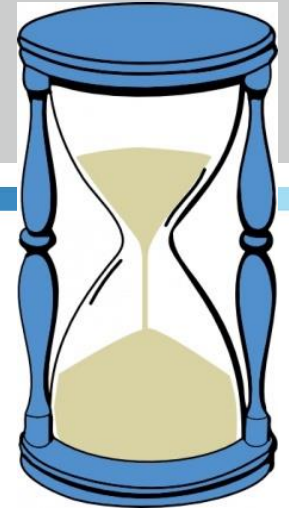
Initiate Rent

- Issue Lease Amendment to establish lease terms (effective date, square footage, annual rent) and commence rent
- Issue Final OA to bill Agency



AGENCY: Sign OA if pricing increases

RECAP



- Timely submittal of Customer requirements
- Hold and confirm customer discussions
- Participate in Market Survey
- Timely reviews, submittals and signatures for OAs
- Review RLP Package prior to distribution
- Timely review or submittal of DIDs
- Participate in Construction meetings as necessary
- Attend Space Acceptance Inspection

Lease Reform – the future

- Lease Continuing Improvement (Lease CI)
 - Industry roundtables
 - 3626 Lease
 - Global RLP/Lease
 - National Tenant Agency Lease Expiration Letters



Questions?

Thank you for joining us today for a discussion on an
Introduction to Leasing

- **Future sessions**

- July 2015: “Advanced Topics in Leasing: Parking”
- August 2015: “Introduction to Occupancy Agreements”

www.gsa.gov/ces

ClientEnrichmentSeries@gsa.gov