Client Enrichment Series

Welcome to today’s presentation on

Back to Basics - The Leasing Process

November 15, 2018

The presentation will start at 1PM eastern time

Note: Phones are automatically muted during the presentation.

You can send questions and comments to the host and presenters via the “Chat” pane - we will answer as many questions as possible during the presentation.

All questions will be captured, and a formal Q&A document will be posted on our Client Enrichment Series website, along with this slide deck and session recording - www.gsa.gov/ces
Client Enrichment Series

Back to Basics - The Leasing Process

Presented by
PBS Office of Leasing

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Hosted by
PBS Office of Portfolio Management
and Customer Engagement

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Agenda

- GSA’s Mission
- The Lease Process
  - Documents
  - Key client interactions
GSA Mission Statement

- Deliver value and savings in real estate, acquisition, technology, and other mission-support services across Government.
The Lease Process

Pre-Award

• Requirements Development
• Market Survey
• Solicitation
• Negotiations
The Lease Process – Post Award

Post Award

- Design Phase (DIDs and CDs)
- Tenant Improvement (TI) Negotiation
- Construction Phase/ Build-Out
- Acceptance & Occupancy
The Lease Process - Getting to Know You

Regional Team
• Regional Planning Manager/Client Executive (RPM/RCE)
• Project Manager (PM)
• Leasing Specialist (LS)
• Lease Contracting Officer (LCO)
• Lease Administration Manager (LAM)

National Team
• National Planning Manager/Client Executive (NPM/NCE)
Lease Process - Competitive

1) Requirements Development
- Delineated Area
- Square Footage
- Special/Unique Requirements
- Acquisition Strategy

2) Pre-Solicitation
- FBO Advertisement
- Market Survey

3) Solicitation
- RLP Package

4) Negotiations
- Rental rates
- Lease terms and conditions

5) Post Award
- DIDs/CDs
- TI negotiation
- Build-out
- Acceptance/Occupancy
Requirements Development

• GSA sends tenant agency a “Lease Expiration Letter” prior to lease expiration date

• Letter includes a draft Client Project Agreement (CPA) outlining agency’s current SF and suggested future space needs

• Interactive process between GSA and agency.

Client Engagement Series - Planning and Requirements Management
Determine Strategic Requirements
- Square Footage (OMB Memorandum “Reduce the Footprint”)
- Delineated Area
- Term

Identify Unique and Special Requirements

Agency Specific Requirements (ASRs)

Goal: finalize technical requirements 24/36 months prior to lease expiration
Housing Strategy - Where to Place You?

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

- Documents agreement between GSA PBS and tenant agency for agency to pay rent to GSA
- Ensures PBS does not incur financial obligations in excess of terms the tenant agency customer is willing to commit - a budgetary tool
- Helps to eliminate rent disputes between agencies and GSA
- Contains clauses (business terms) and financial summary
- Iterative document

*Customer: Sign OA*
**Occupancy Agreement (OA)**

- **Draft OA**: Prepared/sent to agency at procurement inception; reflects estimated rents and business terms.
- **Award OA**: Prepared/sent to agency before lease award; reflects negotiated lease terms.
- **Final OA**: Prepared/sent to agency at occupancy; reflects final reconciled lease pass-through rents.

*Must be signed by agency*
Acquisition Strategy

- Acquisition planning - FAR Part 7
- Requires a written plan outlining basic strategic decisions for upcoming lease procurement
  - type of leasing action
  - competitive vs. sole source
  - source selection approach
  - risks
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FedBizOpps Posting

• Advertise in FedBizOpps
  • Must advertise actions over 10,000 ABOA SF in FBO
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 - The Key Players

• Schedule Market Survey: Key Players
  – Customer representatives
  – GSA Leasing Specialist/Lease Contracting Officer, Broker, Field Office representative
  – DHS’s Federal Protective Service

• Discuss ground rules

Customer: Provide availability
Market Survey – Tour and 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
  - Conformity with go/no-go criteria

Customer: Attend Market Survey
Market Survey - Results

• For each location, reach **consensus** between PBS and you, the customer, whether or not building is **capable** of meeting your requirements

• End result is list of offers/locations to receive solicitation (Request for Lease Proposals - RLP)

Customer: Sign Market Survey Report/Form
Questions?
Lease Process - Competitive – Step 3

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Step 1
Step 2
Step 3
Step 4
Step 5
Request for Lease Proposals (RLP)

- Performance-based, not prescriptive
- 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

Customer: Review/Approve RLP package
RLP Package Components

• RLP (GSA Form R100)

• Scope of Work
  – Lease (GSA Form L100)
  – ISC security specs (FSL I-IV)
  – Special/Specific Requirements

• “The Fine Print”
  – Solicitation Provisions
  – General Clauses

• Offer Forms
RLP Package - Customer Focus

• RLP (GSA Form R100)

• Scope of Work
  – Lease (GSA Form L100)
  – ISC security specs
  – Special/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
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
Most of language is “boilerplate” and procurement dependent, reflecting current policy or GSA technical/business terms.

Agencies should focus review to confirm:
- ABOA SF (usually a range)
- Parking/public transportation
- Delineated area
- TI Allowance
- Post-award delivery schedule (working days)
- Special requirements
- Method of award (source selection)
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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
• 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 (PVA)
  – Lowest-Priced Technically Acceptable Offer
  – Best Value/Tradeoffs

• Document negotiations via Price Negotiation Memorandum (PNM)
Other Pre-Award Activities

- SME reviews
  - Fire and Life Safety
  - ABAAS
  - NEPA/106
  - Legal

- EEO Compliance Reviews

- Scoring check (operating vs. capital lease)

- Small Business Subcontracting Plans

- Funds certification (always!!!!)
Award

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

  Customer: Sign OA

  Customer: Provide RWA if needed

• 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
More Questions?
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**Design Intent Drawings (DIDs)**

- Also known as floor plans, layout, fit-out plans, or 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) con’t

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

Customer: Develop or Review DIDs, choose finish selections

Resources - GSA’s DID Review Guide

Client Enrichment Series - Demystifying Design Intent Drawings
**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 / Customer*
**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)
  – may allow competition at subcontractor level instead
- GSA may prepare Independent Government Estimate (IGE) to compare against bids
Tenant Improvement Negotiations con’t

- 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

Customer: Provide additional RWA funds if needed

Client Enrichement Series - FY18 RWA Policy Updates
Construction Kick-off Meeting

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

Customer: Coordinate with your vendors, Lessor (thru GSA PM and/or LCO)

- Installation of:
  - Furniture
  - IT
  - Security
  - Telecom
  - Other

- Impact on schedule (critical path)
Accepting the Space

• Lessor notifies GSA two weeks prior to construction completion for final inspection

• Who attends?
  – Leasing Specialist/Lease Contracting Officer
  – Customer representative (Facilities & Local)
  – Lessor (A/E & GC)
  – Field Office representative
  – DHS-FPS
Accepting the Space con’t

**Final Inspection**

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

*Customer: 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 Customer

Customer: Sign OA if pricing increases
Recap...

- Actively engage in requirements development process
- Continuously communicate throughout process - to confirm direction/decisions
- Participate in market survey
- Provide timely reviews, submittals and signatures for OAs
- Review RLP package prior to distribution
- Provide timely review or submittal of DIDs
- Participate in construction meetings as necessary
- Attend space acceptance inspection
Questions?

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www.gsa.gov/leasing
Join us in December for our next CES session

**eRETA Review**

*Tuesday, December 11th 1pm-3pm Eastern*

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