Welcome to today’s presentation:

**GSA’s Leasing Process 101**

*July 15, 2021*

*The presentation will start at 1 pm Eastern*

**Note:** Phones are automatically muted during the presentation. You can send questions to our presentation team via your Q&A pane and team will answer as many questions as possible during the presentation. All questions will be responded to in writing in a formal Q&A document, posted along with the slide deck and session recording, on our website, [http://www.gsa.gov/ces](http://www.gsa.gov/ces)
Our Presenters and Host

Presenters

Charlie Johnson  
Senior Leasing Program Manager  
charlesb.johnson@gsa.gov

Ken Idle  
Leasing Program Manager  
kenneth.idle@gsa.gov

Center for Program Oversight, Compliance, and Workforce Development  
GSA PBS Office of Leasing

Host

James Fotopoulouos  
Regional Account Manager  
Region 6 - Heartland Region
**Key Symbols**

**Important Symbols to Note**

- **Key Document**: This step involves a key document that requires either review, approval, or notification.
- **Handshake**: This step involves significant collaboration between GSA and the client.
- **Hand-off**: This step involves a hand-off that may change or introduce new key team members.
The Leasing Process

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

2) Pre-Solicitation
   - SAM 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

Award
The Leasing Process – Step 1

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

2) Pre-Solicitation
   • SAM 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

Step 1

Step 2

Step 3

Step 4

Step 5
Requirements Development

• Begins with either an expiring lease or client request
  – Expiring lease - GSA sends the client a letter to notify them of their expiring lease and initiate discussions
    • The letter includes a draft Client Project Agreement (CPA) outlining their current space details
    • Sent 36 months before expiration for under prospectus, 60 months before for prospectus level
  – Client request - the client contacts GSA to begin discussing a new space request
The Client Project Agreement

- The CPA is completed by the Client Planning Manager (PLM) and client to describe the new space request
  - Square footage
  - Mission and operational needs
  - “Go/No-Go requirements”
  - Important client milestones
Strategic Requirements - “The Box”

The purpose of strategic requirements is for GSA to gain a high level understanding of your space need and to determine if we can house this request in owned space or require a lease.

- **How big is the box?**
  - Headcount
  - UR
  - SF

- **Where does the box need to be?**
  - DA
  - Locational reqmnts

- **Is there anything special about this box?**
  - Column spacing
  - Unusual build-out

10 sf OR 100 sf
The Occupancy Agreement (OA) is an agreement between GSA and the client outlining the terms and financial cost of the lease.

**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. Must be signed by agency if the negotiated rent is higher than the draft OA.

**Final OA**
Prepared/sent to agency at occupancy; reflects final reconciled lease pass-through rents.
Requirements Development Flow

1. **Determine Strategic Requirements**
   - Sq Ft
   - Delineated Area
   - Special Requirements

2. **Determine Housing Strategy**
   - Planning Managers and Asset Managers within GSA review housing options
   - Housing strategy proposed and agreed to with the client

3. **Assign to the Regional Team**
   - A regional team is assembled to deliver the housing solution
   - PM creates project schedule

Key Document
- CPA and OA Signed
Tools of the Trade

GSA has a few tools that we may utilize to assist with completing a lease acquisition

**Global Leasing Services (GLS)**
A services contract used by GSA to augment our in-house resources by adding private sector commercial real estate brokers to the team

**Automated Advanced Acquisition Program (AAAP)**
An on-line, automated bidding process where offerors submits bids on standardized lease terms which can be matched with agency requirements

Notes:
- GSA remains in charge of the acquisition and oversees the broker’s performance
- AAAP has a slightly different process flow
- The bid comes first and the market survey after
The Competition in Contracting Act (CICA) is the cornerstone of the GSA leasing program. It establishes Full and Open Competition as the default acquisition strategy in the government. Competition is widely recognized as leading to lower costs.
Acquisition Strategy - Sole Source

There are exceptions to using full and open competition used in the leasing program when it is not in the government’s best interest to compete a lease contract.

**Mission Based**

The agency’s mission for this location is so specialized that space capable of meeting the agency’s requirements can only be acquired from one source (Lessor).

Common Examples:
- TSA locating at an airport
- CBP locating at a port or border station

**Cost Based**

The cost to remain in place offer significant cost advantages which could not reasonably be expected to be recovered through full and open competition.

Common Examples:
- An agency whose space continues to meet their ongoing needs and only requires a cosmetic refresh
Competitive or Sole Source?

- Competition is the default method
- GSA can compete a lease when there is an incumbent Lessor and still consider the cost advantages of staying in place in the award decision
- Typically, a sole source is only used when there is an overwhelming advantage held by the incumbent Lessor

**Likely to compete**
- Cost to stay
- Move and Rep Costs

**May not compete**
- Cost to stay
- Move and Rep Costs
The Leasing Process – Step 2

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

2) Pre-Solicitation
- SAM 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

Award
Pre-Solicitation - Market Research

• Pre-solicitation is the process of engaging with the market to gather information for the upcoming acquisition
  – Locate available properties
  – Determine negotiation objectives
• The GSA team will use a number of tools to get this information
  – Advertisement on SAM.gov
  – Online databases such as COSTAR
  – Telephone outreach
Pre-Solicitation - Market Survey

The market survey is a physical tour of properties located through the market research process.

**GSA Role**
- Pre-screen properties using the agreed upon requirements
- Lead the market survey, coordinate logistics
- Fill out the market survey forms

**Client Role**
- Have all required decision makers available
- Review properties against the agreed upon requirements
- Work with the GSA team to decide what properties to solicit and sign the market survey forms

**Key Document**
- Market Survey Forms
Pre-Solicitation - Important Note

Traditional/Global Model

The market survey occurs before the solicitation is issued and before bids are received. The govt. team physically tours all eligible properties.

AAAP and SLAT Models

The market survey occurs after the bids are finalized and focuses on only the lowest responsive offer. This is known as a “Building Tour”
The Leasing Process – Step 3

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

2) Pre-Solicitation
- SAM 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

Step 1  Step 2  Step 3  Step 4  Step 5
The GSA team will prepare a Request for Lease Proposal (RLP) package.

**RLP – The Solicitation**
- Describes the space required by the government
- Describes the method of selecting the winning Offeror

**Lease – The Contract**
- The contract that the Offerors are bidding on
- Sets forth the duties of the Lessor during the term of the lease
RLP vs. Lease

RLP

Lease
RLP Package - Client Review

• It is important that the client review the RLP before it is issued
  – Validate SF range is correct
  – Agree on timing and process for post award design development
  – Ensure critical special requirements are included

Original

ACTION REQUIRED: TYPE IN TENANT AGENCY HOURS OF OPERATION CONSISTENT WITH THE CURRENT PRICING DESK GUIDE DEFINTION OF NORMAL HOURS IN THE PARAGRAP BCH BELOW. IF TENANT AGENCY REQUIRES AFTER HOURS CLEANING MODIFY THIS PARAGRAPH ACCORDINGLY. IF THE SUCCESSFUL OFFEROR AGREES TO PROVIDE EXTENDED HOURS AND/OR DAYS AT NO ADDITIONAL COST OR CONSEQUENCE TO THE GOVERNMENT, SUCH HOURS SHOULD BE ACCEPTED AND INCLUDED IN THE LEASE.

6.01 PROVISION OF SERVICES, ACCESS, AND NORMAL HOURS (JUN 2012)

A. The Government’s normal hours of operations are established as XX AM to XX PM, Monday through Friday, with the exception of Federal holidays. Services, maintenance, and utilities shall be provided during these hours. The Government shall have access to the Premises and its Appurtenant Areas at all times without additional payment, including the use, during other than normal hours, of necessary services and utilities such as elevators, restrooms, lights, and electric power. **Cleaning shall be performed during normal hours.**

Revised

ACTION REQUIRED: TYPE IN TENANT AGENCY HOURS OF OPERATION CONSISTENT WITH THE CURRENT PRICING DESK GUIDE DEFINTION OF NORMAL HOURS IN THE PARAGRAPH BELOW. IF TENANT AGENCY REQUIRES AFTER HOURS CLEANING MODIFY THIS PARAGRAPH ACCORDINGLY. IF THE SUCCESSFUL OFFEROR AGREES TO PROVIDE EXTENDED HOURS AND/OR DAYS AT NO ADDITIONAL COST OR CONSEQUENCE TO THE GOVERNMENT, SUCH HOURS SHOULD BE ACCEPTED AND INCLUDED IN THE LEASE.

6.01 PROVISION OF SERVICES, ACCESS, AND NORMAL HOURS (JUN 2012)

A. The Government’s normal hours of operations are established as XX AM to XX PM, Monday through Friday, with the exception of Federal holidays. Services, maintenance, and utilities shall be provided during these hours. The Government shall have access to the Premises and its Appurtenant Areas at all times without additional payment, including the use, during other than normal hours, of necessary services and utilities such as elevators, restrooms, lights, and electric power. **Cleaning shall be performed after business hours.**
Overview of RLP Posting

RLP is downloaded from www.lop.gsa.gov

Global/SLAT

RLP is downloaded from www.SAM.gov
The Leasing Process – Step 4

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

2) Pre-Solicitation
   • SAM 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

Award
The Curtain Closes

- Once the RLP hits the street, the curtain closes - this aids in procurement integrity
  - Offerors get a minimum of 20 calendar days to consider the package for pricing* (GSAM 570.106)
Negotiations

• Negotiations typically center on price
  – The terms of the contract are generally set when the RLP is issued and cannot be modified for individual offerors
    • Offerors must bid on the same terms in order to make an “apples to apples” comparison
  – Most sources are selected using “LPTA”, so any change can make the offeror unacceptable
Lease Contract - Key Pricing Elements

The GSA lease has 3 main elements of rent:

- **Building Shell**
  - The enveloping structure
  - Base building systems
  - “Warm Lit Shell” within the tenant’s space to include tile grid, some lighting, and basic HVAC

- **Operating Costs**
  - Pays the Lessor for the costs of operating the building
  - Utilities, janitorial costs

- **Tenant Improvements**
  - Anything above or beyond the building shell
  - Interior improvements within the tenant’s space
  - Takes the space from “warm lit shell” to finished space
Negotiation Objectives

- The Negotiation Objectives are formal targets set by the leasing specialist
- Data points:
  - **Local Brokers**
    - During market survey:
      - Rental rate
      - TI
      - Cost of services
  - **Commercial Listing Services**
    - CoStar
    - Loopnet
    - REIS
    - Cityfeet.com
  - **GSA Sources**
    - Regional listing files
    - Bullseye
    - REXUS
    - GSA contracted broker on task for project
    - Other Leasing Specialists
GSA’s leasing program has 2 online bidding platforms
- AAAP - used with the AAAP acquisition model
- RSAP - used with the other acquisition models

Offers are submitted online eliminating paper bid forms
With the Global/Traditional process, the market survey has already occurred and the agency has accepted the appropriate buildings before the RLP was issued.

When GSA uses AAAP or the SLAT Models, there is a “building tour” of the apparent successful offer after negotiations and due diligence has concluded.

Agencies have an opportunity to review the building against their requirements.
Due Diligence Checks

- Due Diligence items checked:
  - Fire/Life Safety
  - Verifying space size
  - Seismic (map determines level)
  - Energy Star
  - Offeror’s Capability to Perform
    - Proper Ownership
    - Financial Responsibility
    - Completed SAM.gov
  - Meets all items set out in the RLP
Awarding the Contract

• The winner is normally determined using the **Lowest Price Technically Acceptable (LPTA)** method
  – The RLP and Lease set forth what is “technically acceptable”
  – Rates are evaluated using Present Value to compare different cash flows over time

• The Lease Contracting Officer makes a formal determination that the price is **Fair and Reasonable**
GSA sends the Client a **recommendation letter** with the winning Offeror's information and a revised OA to reflect the negotiated rates if higher than the previous OA.

**Award Process Flow**

1. **GSA Team**
   - GSA sends a draft lease capturing the negotiated rates.

2. **Selected Offeror**
   - The Selected Offeror signs the draft lease and returns it to GSA.

3. **Clients**
   - Clients receive the recommendation letter with the winning Offeror's information and a revised OA.

4. **Key Document**
   - Rec. Letter

5. **GSA Team**
   - The GSA LCO executes the lease contract.

**Key Document**
- Executed Lease
The Leasing Process – Step 5

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

2) Pre-Solicitation
- SAM 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

Step 1 → Step 2 → Step 3 → Step 4 → Step 5
Lease Award

• The only thing that matters now is what’s within the four corners of the contract.
  – Modifications from this point on must be bi-lateral agreements where both sides receive consideration for what they give and get.
Once the lease is awarded the Offeror formally becomes the Lessor and the government team begins the process of designing and constructing the space.

The GSA team may bring in a number of technical reps to help oversee the post award process:

- Project Manager
- Construction Control Representative (IGE)
- Architects/Engineers
Design

Design Intent Drawings
- DIDs show the layout of the space
- Capture critical design elements
- Govt approves

Construction Drawings
- CDs further define the DIDs
- Add technical elements for review by the government team
- Govt reviews

Key Document
DIDs and CDs

Tenant Improvements Negotiation
- The Lessor bids out the cost of the tenant improvements
- The GSA team negotiates the price of the TI
Post Award Design and Construction – DIDs and CDs

• The government reviews the Design Intent Drawings (DIDs) to ensure that they capture the requirements of the government. The government reviews Construction Drawings (CDs) to determine if they are reasonably capable of meeting the performance requirements but does NOT approve Construction Drawings as this could negate the performance spec aspect of the lease.

• GSA leases are “performance spec” leases. The government mandates a certain performance that the building must meet. The Lessor remains responsible for determining the exact means and methods to meet that performance and for maintaining the building’s performance throughout the life of the lease.
The Warm Lit Shell

- Suspended ceiling with fluorescent light fixtures
- HVAC distribution for general office space
- Electrical service to floor for general office space
- Primed gypsum wall board on exterior perimeter walls & core elements
- Level Concrete Floor
Tenant Improvements (TI) are the client specified build-out that takes the space from being a “warm lit shell” to finished space capable of meeting the agency’s needs.

The Lease contains a Tenant Improvement Allowance (TIA). The TIA is an amount of money that the Lessor provides towards the cost of the tenant improvements to be amortized over the firm term of the lease and paid back through the rent.

Security costs that are determined by your Facility Security Level or a threat assessment are paid for by a separate amount of money called “Building Specific Amortized Capital” (BSAC).
The GSA lease is awarded with a “Tenant Improvement Allowance” (TIA) which provides funding for the cost of the tenant improvements.

The amount of the TIA is determined based on a few factors:

- The “General Allowance” is standard for all agencies.

- The “Custom Allowance” is an amount based on your agency’s “tier” which is 10% per level. For example, if your agency customization allowance is tier 2, this is an extra 20% (2 x 10%).

- This amount is adjusted by a “locality index” to adjust for higher or lower costs of construction in that area.
Tenant Improvements Negotiation

• GSA uses a standardized format to receive TI bids based on the “Master Format” used by the Construction Specifications Institute (CSI)
  — The Lease calls for a “Level 5 Breakdown” as specified in the Project Estimating Requirements for the Public Buildings Service (P-120) including a line item breakdown for quantity, material, and labor cost

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Quantity</th>
<th>Material</th>
<th>Labor</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Widget</td>
<td>5</td>
<td>$10</td>
<td>$20</td>
<td>$150</td>
</tr>
</tbody>
</table>

• This allows GSA to properly validate if the costs submitted by the Lessor
  — Properly separate shell and TI costs
  — Are fair and reasonable

• GSA will review line items, but the main concern is the total cost
• If the total costs for TI fall within the allowance, the LCO can issue a Notice to Proceed (NTP) and construction begins

• If the total cost of the TI exceeds the allowance in the lease, GSA must collect the extra money in the form of a Reimbursable Work Authorization (RWA)

• Once the RWA is received and processed by GSA the LCO can issue Notice To Proceed (NTP) and the Lessor can begin work on the tenant improvements

• The Lease will specify a time period for them to complete the TI build-out following NTP
Construction and Acceptance

• Once construction is complete, the government team will inspect and accept the work

  - **Substantial Completion** – The Lessor has completed their scope of work to prepare the space for occupancy by the government. Any remaining work is minor, such as “punch list” items, and completion/correction of these items will not interfere with the government’s use of the space

  - Upon acceptance, the lease becomes effective and rent commences

• At this point the government has possession of the premises and the customer can begin to install furniture and other personal property

• The point of contact for GSA will transfer to the Lease Administration Manager (LAM)
Project Pulse Survey - Your Feedback Counts!

- The Project Pulse Survey is sent to client POCs for both Lease and Reimbursable Work Authorization (RWA) projects.
- The surveys occur at different points the project lifecycle, so you can assess our performance throughout your project.
- We value your feedback and use your comments to help improve all aspects of service delivery.
- For more information, see our Fact Sheet under “Executing Your Project” or contact your National Customer Lead.
Leasing 101 - Thank You For Attending!

Presenters

Charlie Johnson
Senior Leasing Program Manager
charlesb.johnson@gsa.gov

Ken Idle
Leasing Program Manager
kenneth.idle@gsa.gov

Center for Program Oversight, Compliance, and Workforce Development
GSA PBS Office of Leasing
Register For Our Upcoming CES Session

**eRETA Digest**

*Tuesday, August 10th*

*1pm-2:30pm eastern*

**Register Now**

---

**GSA’s COVID-19 Resources for Customers**

See our [COVID-19 Website](#) for our Emergency Response Activities and our [Safer Federal Workplace page](#) for procedures and guidance for GSA Owned and Leased Buildings, Projects and Workplaces.

---

**Watch CES sessions on YouTube**

*Bookmark and binge watch all your favorite CES sessions!*

[www.gsa.gov/ces](http://www.gsa.gov/ces)

clientenrichmentseries@gsa.gov