Welcome to today’s presentation:

*PBS Space Pricing Basics-*

*Introducing the Pricing Desk Guide 5th Edition*

*September 17, 2020*

*the presentation will start at 1 pm Eastern*

**Note:** Phones are automatically muted during the presentation. You have the ability to send questions to your fellow attendees and our presentation team via your Chat pane. Our team will answer as many of the questions as possible throughout and at the end of the presentation. All questions will be captured, and answers sent to all participants prior to the next presentation.
COVID-19 and the Federal Community

Business...but not as usual...

GSA’s Coronavirus - COVID-19 Resource Page
Overview, GSA Activities and FAQ’s

Returning to GSA Facilities Page
Addressing topics for both Federally Owned and Leased Buildings, Projects, Workspace and Tools for the Workforce
PBS Space Pricing Basics - Pricing Guide 5th Edition
September 17th, 2020

Presented by:
Kelly Ellison
Space Pricing Specialist
Pricing Policy and Tools Division
Office of Portfolio Management & Customer Engagement (CO)

Hosted by:
Victor Mendez
Building Management Specialist
St. Louis East Field Office
PBS Heartland Region (R6)
Space Pricing - What’s Your Level of Experience?
Training Topics

- Pricing Desk Guide Overview
- Pricing Legislative Foundation
- Space Data Measurement (SDM)
- Occupancy Agreements (OA)
- Key Rent Components
  - Building Shell
  - Tenant Improvements (TI)
  - Operating Costs
- Tenant Agency Rights
- ** Indicates change from PDG 4th Edition
Pricing Desk Guide
5th Edition Overview
Pricing Desk Guide Status

4th Edition

5th Edition
Effective Nov 16, 2019
Rent Pricing Policy

The Pricing Desk Guide presents the policies developed by the Public Buildings Service to price real estate and related services to federal tenant agencies. The Pricing Desk Guide sets policy for the entire PBS owned and leased portfolio, and provides pricing direction for both general cases and special circumstances. It is designed to guide PBS employees in the performance of their work, and also serves as a resource for tenant agencies seeking a more thorough understanding of PBS pricing policy and its application. The Pricing Desk Guide will be revised as policy is updated, and the changed content will be clearly marked and dated.

- Pricing Desk Guide 5th Edition [PDF - 1 MB]
- PBS Order 7025.2 [PDF - 85 KB]

The shortcut to this page is www.gsa.gov/rentpricingpolicy.

www.gsa.gov/rentpricingpolicy
Pricing Desk Guide Navigation

- Separate chapters for leased and owned space
- Links to quickly move from one part of a document to another
- PDG 5th Edition Chapter 1.1 where policy updates found
- Appendix C – Glossary of Terms

C. Backfill Pricing Flexibility

PBS may exercise administrative discretion in setting rental rates for backfill tenant agencies to optimize income to the Federal Buildings Fund (FBF). Realty practitioners or others involved in the proposed rent concession transaction must confer with the building’s regional asset manager. Before offering a reduced rate, a pricing deviation approved by the regional portfolio director is required. An offer to go below the lease contract rental rate must not cover a period beyond the firm term of the lease and could cover a shorter period.

If the backfill tenant agency, in turn, returns the space upon 4 months’ notice before expiration of the OA term, then the tenant agency is liable for any portion of the rent concession unearned by that date. (See discussion of rent concessions in section 2.17.)
Access Your Rent Bill on the Web

https://www.pbs-billing.gsa.gov
Pricing Legislative Foundation
Legislative Foundation

  - GSA Administrator is authorized and directed to charge anyone furnished space and services at rates that approximate commercial charges for comparable space and services

  - Creates Federal Buildings Fund (FBF)

- Federal Management Regulations (FMR)
  - Approved by OMB and detail pricing policy for occupancy in GSA controlled & owned space
The Federal Buildings Fund

CONGRESS GIVES GSA AUTHORITY TO SPEND (NOA*)

Direct Appropriation to the Federal Buildings Fund

CONGRESS

AGENCIES

FEDERAL BUILDINGS FUND

CONSTRUCTION & ACQUISITION BA 51

REPAIR & ALTERATIONS BA 54 & BA 55

RENTAL OF SPACE BA 53

BUILDING OPERATIONS BA 61

OTHER BUDGET ACTIVITIES

* New obligation Authority
Space Pricing

• Leased space – Rent is a passthrough of the underlying lease contract rent plus:
  • Any standard operating costs not performed through the lease
  • PBS lease fee
  • Any other applicable charges added (e.g. BSAC)

• Federally owned space – Rent is based on a Fair Annual Rent (FAR) appraisal or Return on Investment (ROI), with other applicable charges added
True or False: **False**

GSA Administrator is authorized and directed to charge anyone furnished space and services at rates that do not approximate commercial charges for comparable space and services but are derived from benchmark information.
Space Data Measurement (SDM)
Space Measurement

• Rentable square footage (RSF) – the area for which the customer agency is charged Rent; may include a share of building support and common areas

• Usable square footage (USF) – the area where a customer agency normally houses personnel and/or furniture. To note: for PBS space measurements – USF includes joint use

• Common area factor (a.k.a. R/U factor) – a conversion factor determined by the building owner and applied to the USF to determine the RSF for the space
USF + Common Area = RSF
Assigned Space, including JU

RSF/USF = Building RU

GSA
Spatial Data Management

- Eliminate minor square foot changes in OA due to SDM initiated space changes
- **GSA only makes changes to a customer’s rent bill due to SDM maintenance 50 USF or greater**

PDG Section 3.4.3
True or False: False

Rent is charged on usable square feet.
Occupancy Agreements (OAs)
The Occupancy Agreement (OA)

- A complete statement of the business terms governing the relationship between PBS and the tenant agency for a specific space assignment
- Serves as the billing document
- Covers financial specifics and responsibilities of both parties
- Not a contract, but a formal agreement between the signing parties

PDG Sections 2.1 and 3.1
Why is the OA Important?

- Keep customer informed of rent charges or project costs
- Help ensure PBS does not incur financial obligations in excess of the terms the customer agency is willing to commit
- Help to eliminate Rent disputes and appeals
- Prospectus submissions must have signed OAs
Four Parts of the OA

- Description of Space and Services
- Clauses (Terms and Conditions)
- Signature Page
- Financial Summary
Description of Space and Services

Details:

- Address
- Useable Square Feet
- Rentable Square Feet
- Number of Parking Spaces
- Type of Space
- OA term

PDG Sections 2.1 and 3.1
OA Term

- The customer has a right to occupy the space only for the duration of the OA term and is responsible for any move costs to relocate.

- Leased Space
  - OA is usually co-terminus with the lease term. **If a tenant does not agree to an OA term that matches the lease, PBS may award the lease on its’ own authority.**

- Federally Owned Space
  - Standard OA term is 10 years; in rare cases, it may be set for different duration by mutual consent

**PDG Sections 2.11 and 3.1.1**
OA Clauses

Clause Types, Requirements and Applications

**PBS standard clauses are Mandatory:** Required for all occupancies, separate templates for leased and federally owned space

**Agency specific clauses are Mandatory or Optional:** Could apply to all of a tenant agency’s occupancies (mandatory) or just a subset (optional)

**Optional Clauses are (you guessed it) Optional:** Could apply to any occupancy, based on the situation

**Ad Hoc Clauses are Optional:** Specific to one occupancy
Rent Commencement

- Tenant agency's obligation to pay rent is when space governed by the OA is:
  - Substantially complete
  - Operationally functional

- Occupancy and rent start will be coordinated with the Tenant
  - Phased occupancy allowed
  - No grace period for moves or installation of personal property items unless included in the contract
Substantially Complete

- Substantially Complete – The tenant given opportunity to participate in a walk-through of space prior to final acceptance by PBS
  - In *leased space* it is the granting of an occupancy permit and/or PBS's acceptance of the space as substantially complete in accordance with the lease
  - In *owned space* it is when PBS' s acceptance of the space as substantially complete in accordance with the general construction contract
  - In both cases the Government must have access to the premises and occupancy, possession, use and enjoyment thereof
• Operationally Functional
  • Building systems function
  • Building specific safety and security features operational
  • Related space necessary for a tenant to function according to agency mission must be complete
• OA signature is required before incurring significant costs to pursue a new procurement or new project
  • In a lease that is before submitting a lease prospectus project or awarding a lease contract
  • In owned space that is before purchasing a site or awarding a design contract
  • The latest iteration of the tenant signed OA confirms its’ financial commitment.
  • If the tenant agency later backs out of the signed OA, PBS has the right to seek reimbursement
• There may be situations where a signature is required and if GSA is not able to obtain a signature after successive attempts GSA may act w/o a signature to protect the government’s financial interest
  • Forced move
  • Lease extension with increase to square footage

• Also instances where no signature is required and no OA is sent to customer for systematic annual rate updates
  • Operating Costs
  • Real Estate Taxes
  • Antennas
Financial Summary

• Preview of the tenant agency’s Rent bill

• Itemizes the cost components of the Rent payment

• Summarizes the financial terms and lump sum payment requirements

• Serves as planning/budgeting tool
Knowledge Check - Q4

Why is an OA important?

A. Keep customer informed of rent charges & project costs
B. Help ensure PBS doesn’t incur financial obligations in excess of what the customer agency is willing to commit to.
C. Only “A” above.
D. Both “A” and “B” above.
Key Rent Components
## Rent Bill Comparison

### Leased Space

<table>
<thead>
<tr>
<th>Item</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shell Rent</td>
<td>+ General TI + Operating Costs + Real Estate Taxes</td>
</tr>
<tr>
<td></td>
<td>= <strong>Market Rent</strong></td>
</tr>
<tr>
<td>Custom TI</td>
<td>+ + GSA Installed Bldg Improvements</td>
</tr>
<tr>
<td></td>
<td>+ Security (BSAC)</td>
</tr>
<tr>
<td></td>
<td>+ Parking</td>
</tr>
<tr>
<td></td>
<td>+ Rent Charges for Other Space</td>
</tr>
<tr>
<td></td>
<td>+ PBS Fee</td>
</tr>
<tr>
<td></td>
<td>= <strong>Agency Rent Subtotal</strong></td>
</tr>
<tr>
<td></td>
<td>+ Joint Use</td>
</tr>
<tr>
<td></td>
<td>= <strong>Total Monthly Rent</strong></td>
</tr>
<tr>
<td></td>
<td>+/- Billing Adjustments/Corrections</td>
</tr>
<tr>
<td></td>
<td>= <strong>Total Rent Bill</strong></td>
</tr>
<tr>
<td></td>
<td>+ Antenna</td>
</tr>
<tr>
<td></td>
<td>+ Reimbursable Services</td>
</tr>
<tr>
<td></td>
<td>= <strong>Total PBS Bill</strong></td>
</tr>
</tbody>
</table>

### Federally Owned Space

<table>
<thead>
<tr>
<th>Item</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shell Rent</td>
<td>+ General TI + Operating Costs</td>
</tr>
<tr>
<td></td>
<td>= <strong>Market Rent</strong></td>
</tr>
<tr>
<td>Custom TI</td>
<td>+ Customized TI</td>
</tr>
<tr>
<td></td>
<td>+ Security (BSAC)</td>
</tr>
<tr>
<td></td>
<td>+ Parking</td>
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<td>+ Reimbursable Services</td>
</tr>
<tr>
<td></td>
<td>= <strong>Total PBS Bill</strong></td>
</tr>
</tbody>
</table>
- Billing adjustments must be made for the current and one prior fiscal year, regardless of amount.

- GSA also must make billing adjustments earlier than the prior fiscal year that exceed $1,000 for an individual OA.
Key Rent Components
Building Shell
Building Shell

- The complete enveloping structure, the base building systems, and the finished common areas of a building that adjoin the tenant areas.

- Shell in base building includes:
  - Base structure and building enclosure (e.g., windows)
  - Base building electrical & mechanical systems
  - Common areas (e.g., lobbies, elevators, restrooms, garages)

- Shell in tenant areas includes:
  - Wall board on exterior perimeter & tenant demising walls (w/o suite entry door)
  - HVAC for open office layout, Concrete Floor
  - Common corridor stud walls without gypsum board
  - Suspended acoustical tile ceiling with lighting (1 fixture/80 usf). Lighting controls with ambient lighting adjusted for building automation system

PDG Sections 2.4.1 and 3.5.1
Building Shell Illustration

- HVAC distribution for general office space
- Level Concrete Floor
- Electrical service to floor for general office space
- Primed gypsum wall board on exterior perimeter walls & core elements
- Suspended ceiling with 1 fixture / 80 usf

PDG Section 2.4.1 and 3.5.1
Building Shell

- PDG building shell definition supports regional consistency in the application of TI allowances
- PBS must use the shell definition in its entirety and without deviation, standard lease forms also include the shell definition
- Building standards and design guides are not part of the building shell merely because they are called “standards”
- Tenant agency-driven upgrades to building shell (shell enhancements) are to be separately priced and considered TIs
- Buildings specific security items are not included in shell
Warehouse Shell

- **Shell definition matches the warehouse lease model**
- Minimal lighting- should provide 30 ft. candles in shipping/receiving & 10 ft. candles in warehouse area
- Sprinkler mains/distribution in open plan layout
- Exposed ceiling
- No air conditioning
- Concrete floor

PDG Sections 2.4.1, Table 2.5
Shell Rent – Leased Space

- Passthrough of the underlying PBS lease contract shell rent
  - Any standard operating costs not performed through the lease
  - PBS lease fee
  - Any other applicable charges added (e.g. BSAC)
  - Lease may have step rents

- Lessors must use shell definition in the RLP/Lease to develop their shell rent rate

- PBS policy is that cyclic painting and carpet replacement can be included in leases as a shell cost
**Shell Rent – Leased Space, DIDs**

- DIDDs are **typically** included in the shell requirements for leases as part of the shell rent
- Option for DID workshop or government provided
- PDG references [DID Review Guide](#) to enhance definition
- Level 1 DID elements provided as part of standard rent. Level 2 DID elements typically require reimbursement.
True or False: **False**

In leased space, the building shell may include upgrades above RLP base building specifications.
True or False: False

Shell enhancements are considered part of the Shell costs.
Shell Rent – Federally Owned Space

- Shell rent based on a FAR appraisal

- Shell rents are established for 10 year periods

- **At a minimum, a new FAR appraisal every 10 years

- **50% for general storage space, all other rentable area has the same shell rate

- **Asbestos Containing Material (ACM) and lead paint abatement is considered a building shell expense and a GSA obligation to pay

PDG Section 3.5.3
**Fair Annual Rent (FAR) Federally Owned Space**

- FAR - is the fully serviced rental rate inclusive of services except security

- ** We have transitioned all OAs from 5 year to 10 year FAR rates

- Provide market advantages of longer term occupancy

- Customers keep release of space rights

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*PDG Section 3.5.3*
Example of GNS Space
**Hazmat Abatement – Federally Owned Space**

- GSA can still manage in place if appropriate
- Any alterations must still be approved by GSA
- Due to lack of BA54 funds, agency funded shell is possible

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**Note:** For a tenant driven alteration funded via RWA, it is often impractical for GSA to obtain timely funding for abatement. Consequently abatement is typically funded via RWA and GSA provides Rent consideration after substantial completion. Refer to note in 3.6.10.C.
**Customer Agency Funded Shell – Federally Owned Space**

- Used in cases where timely funded of shell elements is impractical and there is *urgent* customer mission need. This is last resort funding.

- PBS may accept lump-sum payments for shell elements

- PBS determines appropriate rent consideration to be provided after substantial completion.
Knowledge Check - Q7

True or False: False

The Fair Annual Rent is the fully serviced rental rate inclusive of all services, including security.
Key Rent Component
Tenant Improvement
• The shell and TI distinction is an impermeable barrier or "firewall" across which funding cannot shift

• Exception for prospectus level projects where there is a cost overrun on the purchase of the site or on the construction of the shell, funds may be moved from TI
  • Only with tenant agency’s consent
  • Only after other remedies have been examined e.g., specifications review, descoping, value engineering
Tenant Improvements

- The finishes and fixtures that typically take space from the shell condition to a finished, usable condition

- Tenant agency elects how its space is to be finished, as long as the space is functional and compliant with all applicable building codes and standards

- The existence of building standards does not mean they are part of shell – they are still TIs (e.g., suite entry door specification, restricted color palettes)
Shell vs TI Example

Legend
- **Shell**
- **Tenant Improvement**
- **Building Signage**
- **Wood (Common Area)**
- **Terrazzo Tile (Common Area)**
- **Suite Entry Door**
- **Glass Wall with Leaf Graphic (Common Area)**
- **Wood Wall & Stainless Steel Logo**
- **Terrazzo Tile (Tenant Space)**
Tenant Improvement Allowance (TIA)

- Funding source that enables the space to be built out
- TI allowance has two components - general and customization
- Provides flexibility, choice, and savings incentives
- Commonplace in the commercial real estate market
- Allows both PBS and lessors to budget more reliably since obligations are defined at the outset
- Helps PBS and tenant agencies comply with appropriations law and with OMB requirement that PBS set limits on amounts that can be amortized in Rent

PDG Sections 2.5.3 and 3.6.3
Application of TI Allowances

- Tenant agency elects how its space is to be finished
- Rent payment is lower if an amount less than the allowance limit is used
- If the full allowance is not used for initial buildout, it is no longer available, you cannot ‘bank’ it for later
- Can only be used to pay for items that are real property, or which become real property when *attached or affixed* to the building

PDG Sections 2.5.9 and 3.6.9
Example of Real Property vs Personal Property

The shelving system to the right is *real property*. The shelving doesn’t have fixed aisles but is a high density shelf mounted on top of a mobile carriage and the system is on rails that are *grouted/anchored to the floor*.

The system to the left is *personal property*. It is a high density mobile shelving which *sits on top of the floor*.

PDG Sections 2.5.2 and 3.6.2
• The finishes funded by Tenant Improvement (TI) damaged by a building system failure may be replaced or restored by GSA up to the TI allowance, based on the availability of funds. Any previous amortization are unchanged and would continue to bill.

• Equipment and personal property not covered due to interdepartmental waiver rule
TIA Cannot Fund Personal Property

- Furniture
- Microwaves
- Refrigerators
- Artwork
- Physical relocation expenses of personal property
- AV equipment, phone handsets, TVs for conference rooms

PDG Sections 2.5.9 and 3.6.9
Furniture and IT (FIT) Program

- Finances furniture for the customer workplace
- Supplemental OA outlines charges
- FAS fee
- No PBS fee or interest rate for the amortization

PDG Sections 2.5.3 and 3.6.3
**TI Allowance - Phased Projects**

- TI allowance can be allocated among each phase of a project
- Avoids completely depleting TI allowance before later phase commences
- If work is moved among phases, TI allowance can be re-allocated accordingly

PDG Sections 2.5.3 and 3.6.3
Application of TI Allowance

• Initial occupancies (including expansions)
  • New space/1st generation/ usually new construction, new tenant
  • Tenant agency provided the full TI allowance
  • Tenant agency cannot buy down the general component of the TI allowance in first generation space through use of an RWA

• Backfill occupancies
  • Relet/ 2nd generation space, new tenant, TIs from previous tenant, but space is currently vacant
  • The full TI allowance may be provided to tenant agency, subject to availability of funds
  • **Tenant agency may buy down the general allowance in second generation space through use of an RWA

PDG Sections 2.5.3 and 3.6.3
Application of TI Allowance Mid Occupancy

- Mid-occupancy / post initial occupancy
  - Same OA term, same space
  - TIs typically funded by the tenant agency via RWA
  - No obligation to provide TI allowance
  - Subject to availability of funds, full or partial TI allowance may be provided to tenant agency, but this is not typical

PDG Sections 2.2.2, 2.5.3 and 3.2.2, 3.6.3
Application of TI Allowance Con’t Occupancy

- New OA term, same space, same tenant
- TI allowance requested typically just minor alterations or carpet and paint

- **Leased Space**
  - In succeeding/superseding lease, the tenant agency may be provided up to the full TIA. If renewal option is exercised that was evaluated at the initial lease term, then those terms apply

- **Federally Owned Space**
  - Provided funds are available, upon Tenant Agency request, GSA may fund and amortize minor alterations

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PDG Sections 2.2.2, 2.5.3 and 3.2.2, 3.6.3
General Component of TI Allowance

• Takes the space from shell to “vanilla” office space

• Set nationally and indexed to local construction costs
  • Currently **$49.13 per USF – Washington D.C. has Local Construction Index (LCI) of 1

• Covers cost of normal or standard or “typical” office finishes
  • Doors
  • Partitioning
  • Carpeting
  • Electric & telephone outlets

PDG Sections 2.5.4 and 3.6.4
Customization Component of TI Allowance

- Takes the space from “vanilla” office space to space specifically designed to function for a particular tenant agency

- Not intended to eliminate the need for lump sum RWA payments

- Customization allowances are not adjusted because they are a percentage of the general allowance, which is already adjusted for inflation and indexed to local construction costs
TI Allowance in Warehouses

- The TI allowance is reduced to 20% of the general component of TI allowance as adjusted for locality.

- If the TI allowance is used to construct offices within a warehouse then the TI allowance is used to construct all the shell and TIs needed for that office.

- If there is a significant (as determined by GSA) amount of office space and warehouse space in the same building or tenant space assignment, the total TIA may be a blended rate between the warehouse TI allowance (at 20% of the general component) and the tenant agency’s total tier allowance for the office space.
• PBS created a series of customization tiers 0 - 6

• Each tier is equal to 10% of the value of the general allowance

• Each tenant agency and bureau is assigned a tier

**$49.13 per USF**

\[ \text{Local Construction Index} \]

= **General Allowance**

**General Allowance**

\[ \times 10\% \text{ for each Tier} \]

= **Custom Allowance**

**General Allowance**

+ **Custom Allowance**

= **Total Allowance**

PDG Sections 2.5.6 and 3.6.6
TI Allowance by Functional Estimate

- The TI allowance is set in accordance with the benchmarks or cost estimates.

- Functional estimates are also applicable when a particular block of space is not typical for a customer agency and additional buildout is required to meet the functional needs of that space type.

- The revised TI allowance must cover the cost of basic functionality to meet the operational requirements for the space’s use, that is finished, functional, and compliant with building codes.
  
  - The standard is not based on the total cost of TIs. The distinction is functionality versus finish, fixture, and feature enhancement.

  - Not intended to eliminate the need for an RWA.

PDG Sections 2.5.7 and 3.6.7
TI Allowance Amortization - Leases

• Amortization term usually the firm term of the lease
  • Exception: Lessors, with PBS and tenant agency agreement, can set amortization term beyond the lease firm term provided no lump-sum costs due if PBS exercises termination rights or leaves at the end of the lease term

• Two rules for limiting amortization terms for TIs:
  • The amortization term must not exceed the economic life of the improvements
  • The amortization term must not exceed the term of the OA

• Multiple amortization periods can be done for special cases such as phased projects

• Interest rate negotiated between the successful offeror and PBS
TI Allowance Amortization - Owned

- Standard amortization term is 10 years
  - Amortization period for courtrooms and chambers assignments can be 20 years

- Two rules for limiting amortization terms for TIs:
  - The amortization term must not exceed the economic life of the improvements
  - The amortization term must not exceed the term of the OA

- Multiple amortization periods can be done for special cases such as phased projects

- Interest rate set annually, 10 yr Treasury + 12.5 basis points
**Lump-Sum Payment Options for TI-Leased Space**

Timing of Lump-Sum Payment, Requirement and Payment Method

**Before Lease Award:** You can use an RWA to make a lump sum payment to lower the TI allowance.

**Before Lease Award or Lease Amendment:** You are required to use an RWA to pay in full and in advance the costs above the TI allowance.

**Before Lease Amendment:** You are required to use an RWA to pay in full and in advance, the cost of reimbursable space changes to an existing assignment.

**At Space Release:** You will pay in Rent through the OA Tool the lump sum amount equal to the outstanding balance on the TIs that PBS has been amortizing in the Rent.

**In a Forced Move:** The Forcing customer agency will pay PBS in Rent through the OA Tool the unamortized balance of the TIs of the displaced customer agency.

PDG Sections 2.5.10c, Table 2.6
Lump-Sum Payment Options for TI-Owned Space

Timing of Lump-Sum Payment, Requirement and Payment Method, con’t

**Before Contract Award:** You can use an RWA to make a lump sum payment to lower the TI allowance.

**Before Contract Award:** You must use an RWA to pay, in full and in advance, the costs of space changes to an existing assignment.

**Before Contract Award or Before Change to Scope of Work (SOW):** You must use an RWA to pay in full and in advance the costs above the TI allowance.

**At Space Release:** You will pay in Rent through the OA Tool the lump sum amount equal to the outstanding balance (principal only) on the TIs that PBS has been amortizing in the Rent.

**In a Forced Move:** The expanding customer (Forcing agency) will pay PBS in Rent through the OA Tool the unamortized balance of the TIs of the displaced customer agency.
True or False:  
True
The TI amortization term is generally the firm term of the lease for leased space and 10 years in federally owned space.
True or False: False

The tenant’s TI allowance can include microwaves and refrigerators
Key Rent Component
Operating Costs
Operating Costs

- **Leased Space**
  - Direct pass-through of lease contract cost for standard services to customer agency
  - Typically escalated annually by CPI

- **Federally Owned Space**
  - Based on market appraisal, not actual PBS costs
  - Reset to market every 10 years, just like shell
  - Escalated annually by OMB Inflation Factor

PDG Sections 2.6 and 3.7
Operating Costs – Utilities in Leases

- Consistent heating or cooling for one shift with a minimum of 10 operating hours
- Lease should reflect the building’s normal operating hours
- **Mission related recurring services (i.e., continuous 24/7, multi-shift, or extended HVAC services) – may be incorporated as part of the operating rent
- Non recurring services (i.e., one time request after hours HVAC) is above standard – customer agency RWA reimbursement
- See full details and lease language in Leasing Alert LA-FY18-07
Operating Costs – Utilities in Federally Owned Space

- Provide 10 hours consistent heating or cooling
- Reimbursement required for HVAC outside normal 10 hour specified period
- Property Manager in consultation with tenants determine standard building hours
### Standard Custodial Services

<table>
<thead>
<tr>
<th>Federally Owned Space</th>
<th>Leased Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Vacuuming, sweeping, and dusting</td>
<td>• Essentially the same</td>
</tr>
<tr>
<td>• Damp mop and spray buff resilient floors</td>
<td>• Essentially the same</td>
</tr>
<tr>
<td>• Emptying and hauling trash</td>
<td>• Essentially the same</td>
</tr>
<tr>
<td>• Servicing restrooms, lobbies, corridors, and other common areas</td>
<td>• Essentially the same</td>
</tr>
<tr>
<td>• Servicing loading docks and platforms</td>
<td>• Essentially the same</td>
</tr>
<tr>
<td>• Washing windows (at least one washing per year or more as determined by region)</td>
<td>• Essentially the same</td>
</tr>
<tr>
<td>• Carpet spot cleaning</td>
<td>• Washing windows twice a year</td>
</tr>
<tr>
<td>• Snow and ice removal, and lawn and grounds maintenance</td>
<td>• Plus carpet shampoo every two years</td>
</tr>
<tr>
<td>• Integrated pest management</td>
<td>• Essentially the same</td>
</tr>
<tr>
<td></td>
<td>• Essentially the same</td>
</tr>
</tbody>
</table>
**Specifications in Federal Buildings**

- National custodial and O&M specifications are posted on GSA.gov
- Customers can see what level of services are expected from our contractors
- Specifications are performance based
- National specifications provide consistency
True or False: **True**

For mission related recurring services in leases, a customer agency may incorporate that cost as part of the operating rent.
Knowledge Check - Q11

In owned space, who determines standard building hours?

A) Property Managers / Agency Headquarters

B) Customer Agencies in building / Property Managers

C) GSA Headquarters

D) Both A) and C)
Tenant Agency Rights
Move Policy

- Agencies responsible for funding their own physical moves and telecommunication costs

- Customer agencies in both leased and federally owned space can expect to fund all move costs at the end of their OA term

- Exceptions:
  - Emergency relocations due to disasters or crises. PBS may fund the moves up front, subject to funds availability
  - Forced moves: The forcing agency is responsible. PBS can be considered the forcing agency. **If PBS provides 3 years’ written notice for either a Disposal or Prospectus Project, we will not be considered a forcing agency.**
Forced Move

A forcing agency is responsible for funding the following costs:

- To the displaced agency:
  - The undepreciated value of any lump-sum payment for TIs or tenant agency-specific security
  - Relocation cost, including the physical move, move coordination and relocation, and installation of telecommunications and IT equipment
  - **The cost of architectural-engineering design for the new location**

PDG Section 4.4
A forcing agency is responsible for funding the following costs:

- **To PBS:**
  - The remaining principal balance on any TIs being amortized not being reused by forcing agency paid by lump-sum payment through the OA Tool, not RWA.
  - Any increase in the displaced agency’s overall Rent at its new location, except for any difference in amortized TIs, until the displaced agency has time to budget through RentEst cycle.
  - Displaced agency’s Rent from time displaced agency vacates until forcing agency occupies.

PDG Section 4.4
Tenant Agency Rights - Cancellation

- Prior to Contract Execution there is no fault cancellation
- After Contract Execution, Prior to Occupancy:
  - In Leased Space
    - The 16-month Rental obligation had the customer agency occupied the space, plus the unamortized balance of the tenant improvements (Tis) or the lease buyout cost, if less.
  - In Federally Owned Space
    - The 4-month Rental obligation had the customer agency occupied the space, plus the unamortized balance for the tenant improvements (Tis), or the total project cost incurred, whichever is less

- If PBS executes tenant agency-requested services outside of the services PBS provides as part of the PBS fee without upfront reimbursement, then PBS reserves the right to pursue reimbursement whether the tenant agency canceled before contract execution or before occupancy

PDG Section 5.1
Tenant Agency Rights

- Tenant agency is entitled to a reduction in the PBS fee from 7% to 5% for leased assignments designated as noncancelable.
  - PBS makes decision on whether space is considered noncancelable that is reflected in the first pro forma OA.
  - Once designated (or not designated) as noncancelable, it may not be changed during the OA term.
  - Tenant agencies may not volunteer to designate their space as noncancelable to receive the reduced fee.
Noncancelable Space

- Remote or not easily accessible location
- Special purpose use or buildout
- Lease construction
- Unusual term
- Lack of any realistic federal need for the space, other than the requesting tenant agency
- Any other factors that would significantly impair PBS’s ability to backfill the space

PDG Section 5.2
With 4 months’ written notice, tenant agencies have the right to release space to PBS providing:

- There is no longer a need for the space
- The space is not designated as noncancelable in the tenant agency OA
- **The tenant is at least 16 months into OA term (lease space only)**
- The space is in marketable blocks
- **4 month notice no longer applies to parking spaces or antennas (leased or federally owned space)**
The space is in marketable blocks if it can be assigned to another federal tenant agency or to a private-sector tenant (outlease). Please make GSA aware of intent to vacate as soon as possible a space.release@gsa.gov

- Location: Space must be accessible from common corridor
- Use: Cannot be just a mailroom or janitorial closet
- Size: USF is contiguous, but must consider accessibility
With 4 months written notice, customer agencies have the right to release space when:

A. The space is in marketable blocks
B. The space is not designated in the OA as non-cancelable
C. The tenant is at least 16 months into their occupancy term in leased space
D. all of the above
PBS Space Pricing Basics - Pricing Desk Guide 5th Edition

Questions?

Kelly Ellison
kelly.ellison@gsa.gov
Space Pricing Specialist
Pricing Policy and Tools Division
Office of Portfolio Management & Customer Engagement (CO)
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*Tuesday, October 6th 2pm-3:30pm eastern*  [Register Now](#)

**What Goes Into My Agency’s Rent Estimate?**
*Thursday, October 15th 1pm-2:30pm eastern*  [Register Now](#)

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

See our [COVID-19](#) and our [Returning to GSA Facilities](#) websites for our emergency response activities and guidance.

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