Welcome to today’s presentation on:

The Lease Prospectus:
A Guide to Understanding Its Statutory Basis, Development Process and Conformity Requirements

the presentation will start at 2pm Eastern

Note: Phones are automatically muted during the presentation. You have the ability to share questions/comments with our presentation team and your fellow attendees and our 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.
• Last Session – FAS Category Management and the Acquisition Gateway

• TODAY – The Lease Prospectus

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Client Enrichment Series

The Lease Prospectus:
A Guide to Understanding Its Statutory Basis,
Development Process and Conformity Requirements

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Client Solutions Branch/Portfolio
GSA Region 5

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Capital Allocation Budget Specialist
Office of Portfolio Management
GSA Central Office
Agenda

• Why is a prospectus required?
• When is a prospectus required?
• What is the prospectus process?
• What is submitted in a prospectus package?
• What are the package documents?
• What are reviewers looking for?
• What can be done before approvals?
• What are resolutions?
• What do resolutions mean?
• How should resolutions and prospectuses be applied?
• What about alterations in leased space prospectuses?
Basic Laws and Authorities of PBS

• Federal Real Property & Administrative Services Act of 1949
  • provided GSA with authority to procure and supply real and personal property
  • authorized GSA to maintain, operate and protect federal buildings & grounds
  • established authority to lease real property for up to 20 years

• Public Buildings Act of 1959
  • gave GSA exclusive authority for public buildings
  • required submittal of prospectuses to Congressional Committees

• Public Buildings Amendment of 1972
  • amended the ‘49 & ’59 Acts
  • established the Federal Buildings Fund as a quasi-revolving fund
  • gave GSA authority to charge commercial rates
The Prospectus Requirement

Title 40 U.S.C Section 3307(a) –

Resolutions Required Before Appropriations May Be Made.— The following appropriations may be made only if the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives adopt resolutions approving the purpose for which the appropriation is made:

(2) An appropriation to lease any space at an average annual rental in excess of $1,500,000 [$2,850,000 current indexed amount] for use for public purposes.

(3) An appropriation to alter any building, or part of the building, which is under lease by the Federal Government for use for a public purpose if the cost of the alteration will exceed $750,000 [$1,425,000 current indexed amount].
The Prospectus Requirement

Title 40 U.S.C Section 3307(b) –

Transmission to Congress of Prospectus of Proposed Project.— To secure consideration for the approval referred to in subsection (a), the Administrator of General Services shall transmit to Congress a prospectus of the proposed facility, including—

(1) a brief description of the building to be constructed, altered, or acquired, or the space to be leased, under this chapter;

(2) the location of the building or space to be leased and an estimate of the maximum cost to the Government of the facility to be constructed, altered, or acquired, or the space to be leased.
Project Lifecycle – Identification

1. Project Identification

**Triggers**
- Client space request
- Expiring assignment

**Owner**
- Planning Manager

**Activities**
- Programmatic planning accomplished
- Summary needs interview conducted
- Summary requirements developed
- UR/POR issues escalated, as required
- Project parameters defined
- Client project agreement developed
- Business decision to proceed determined

This Phase is Only Applicable to Space Projects
When a Prospectus is Needed

• Standard Leases
  • A prospectus is required when Net Rent exceeds the prospectus threshold
  • Net Rent in the fiscal year of lease award (not occupancy) is compared against the threshold
  • Net Rent = Fully Service Rent – Operating Expenses
  • Net Rent includes real estate taxes but not the PBS Fee
  • If there is a step in the rent, a levelization calculation is done and the result compared against the threshold

• Alterations in Lease Space
  • A prospectus is required when the Estimated Total Project Cost exceeds the alterations in leased space prospectus threshold
  • Initial space alterations are not subject to this threshold
QUESTIONS?
Project Lifecycle - Planning

**Owner**
- Project Manager

**Activities**
- Project management and communications plans developed
- Detailed needs interview conducted
- Detailed requirements developed
- UR/POR issues escalated, as required
- Project budget and schedule finalized
- RWAs submitted / accepted

**Trigger**
- Assigned project team

3. Project Planning
Prospectus Timing

- Past practice was to submit 2 years in advance of lease expiration (i.e. if a lease expired in FY19, it was part of the FY19 program and submitted in FY17).
- Average prospectus level lease delivery time is 700-900 working days from advertisement through occupancy.
- Submitting just 2 years in advance of expiration often put the Government in a position of having to extend or holdover in leased locations.
- GSA is working with stakeholders to accelerate the submissions based on the appropriate point in advance of projected lease expiration.
- So working with clients on requirements far in advance of expiration becomes increasingly important.
GSA Regions submit lease prospectuses to GSA Central Office in accordance with annual program call.

GSA sends lease prospectuses and supporting documents to OMB.

GSA Central Office reviews regional documents and addresses issues with Clients and GSA Regions.

OMB reviews prospectuses with GSA and Client agency examiners. After OMB clearance, GSA submits lease prospectuses to Congress.

- House T&I and Senate EPW Committee Staff review lease prospectuses and provide separate committee resolutions.
Submission Requirements

- Prospectus
- Housing Plan
- Delineated Area Map
- Bullseye Report (market rate analysis)
- Project Cost Planning Guide (PCPG)
- Lease Scoring Sheet
- OAs (Signed) and OA Summary Templates
- Lease Project Data Workbook
  - Lease Project Data Sheet
  - Site Cost Justification
  - Move and Replication Cost Model
Reviews (Internal & External)

- GSA reviews the projects internally before submitting to OMB and eventually Congress.
- Reviews focus on:
  - Confirmation of portfolio strategy
  - Consistency with administration and agency initiatives
  - Sufficiency of the delineated area
  - Suitability of space requirements and utilization rates
  - Validation of financial implications – scoring, rental rate justification and lump sum payments
Documents Shared with Committees

- The Prospectus and Housing Plan are seen by the Hill.
- The prospectus is a summary document that specifies the parameters required to implement a project that meets facility and tenant agency requirements.
- It also lines out other details of interest to stakeholders such as space utilization metrics and the delineated area of the procurement.
- It is an approval document that has sufficient credibility to:
  - persuade OMB and Congressional committees of need
  - demonstrate the cost effectiveness of the project
  - establish controlling parameters (cost, scope and schedule) for the project
Sample Prospectus

Executive Summary

The General Services Administration (GSA) proposes a lease of approximately 173,000 rentable square feet (RSF) for the Peace Corps, currently located at 1111 20th Street, NW, in Washington, DC.

The lease will provide continued housing for Peace Corps and will slightly improve the office and overall space utilization from 99 to 98 and 156 to 152 per person, respectively.

Description

<table>
<thead>
<tr>
<th>Description</th>
<th>Peace Corps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupant</td>
<td>Peace Corps</td>
</tr>
<tr>
<td>Current Rentable Square Feet (RSF)</td>
<td>161,725 (Current RSF/USF = 1.13)</td>
</tr>
<tr>
<td>Estimated Maximum RSF(^1)</td>
<td>173,000 (Proposed RSF/USF = 1.20)</td>
</tr>
<tr>
<td>Expansion/Reduction RSF</td>
<td>None</td>
</tr>
<tr>
<td>Current Usable Square Feet/Person</td>
<td>156</td>
</tr>
<tr>
<td>Estimated Usable Square Feet/Person</td>
<td>152</td>
</tr>
<tr>
<td>Proposed Maximum Leasing Authority</td>
<td>15 years</td>
</tr>
<tr>
<td>Expiration Dates of Current Lease(s)</td>
<td>05/31/2018</td>
</tr>
<tr>
<td>Delineated Area</td>
<td>Washington, DC Central Employment Area</td>
</tr>
<tr>
<td>Number of Official Parking Spaces</td>
<td>5</td>
</tr>
<tr>
<td>Scoring</td>
<td>Operating Lease</td>
</tr>
<tr>
<td>Estimated Rental Rate(^2)</td>
<td>$50.00 / RSF</td>
</tr>
</tbody>
</table>

\(^1\) The RSF/USF at the current location is approximately 1.13; however, to maximize competition a RSF/USF ratio of 1.2 is used for the proposed maximum RSF as indicated in the housing plan.

\(^2\) This estimate is for fiscal year 2018 and may be escalated by 1.95 percent annually to the effective date of the lease to account for inflation. The proposed rental rate is fully serviced including all operating expenses whether paid by the lessee or directly by the Government. GSA will conduct the procurement using prevailing market rental rates as a benchmark for the evaluation of competitive offers and as the basis for negotiating with offerors to ensure that lease award is made in the best interest of the government.

Acquisition Strategy

In order to maximize the flexibility and competition in acquiring space for the Peace Corps, GSA may issue a single, multiple award solicitation that will allow offerors to provide blocks of space able to meet requirements in whole or in part. All offers must provide space consistent with the delineated area defined by this prospectus.

Background

The Peace Corps Mission is to promote world peace and friendship by fulfilling three goals: helping the people of interested countries in meeting their need for trained men and women; promoting a better understanding of Americans on the part of the peoples served; and facilitating a better understanding of other peoples on the part of Americans.

Justification

Since 1961, the Peace Corps has been strengthening the United States of America by building bridges with nations around the world through community-based development and cross-cultural understanding. Effective support of its volunteers and staff in 141 countries is crucial to advancing the mission and goals of the agency. The current lease at 1111 20th Street, NW expires May 31, 2018. Peace Corps requires continued housing to carry out its mission.

Summary of Energy Compliance

GSA will incorporate energy efficiency requirements into the Request for Lease Proposals and other documents related to the procurement of space based on the approved prospectus. GSA encourages offerors to exceed minimum requirements set forth in the procurement and to achieve an Energy Star performance rating of 75 or higher.

\(^3\) New leases may contain an escalation clause to provide for annual changes in real estate taxes and operating costs.
**Sample Housing Plan**

**October 2015**

**Housing Plan**

**Peace Corps**

**PDC-08-WA17**

**Washington, DC**

<table>
<thead>
<tr>
<th>Leased Locations</th>
<th>Current Personnel</th>
<th>Usable Square Feet (USF)</th>
<th>Estimated/Proposed</th>
<th>Personnel</th>
<th>Usable Square Feet (USF)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Office</td>
<td>Total</td>
<td>Office</td>
<td>Storage</td>
<td>Special</td>
</tr>
<tr>
<td>1111 20th Street N/W Washington, DC</td>
<td>920</td>
<td>920</td>
<td>116,597</td>
<td>5,026</td>
<td>21,584</td>
</tr>
<tr>
<td>Estimated Proposed Lease</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>920</td>
<td>920</td>
<td>116,597</td>
<td>5,026</td>
<td>21,584</td>
</tr>
</tbody>
</table>

**Office Utilization Rate (UR)**

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESB</td>
<td>99</td>
<td>98</td>
</tr>
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</table>

**Overall UR**

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Proposed</th>
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</thead>
<tbody>
<tr>
<td>Rate</td>
<td>156</td>
<td>152</td>
</tr>
</tbody>
</table>

**R/U Factor**

<table>
<thead>
<tr>
<th></th>
<th>Total USF</th>
<th>RSF/USF</th>
<th>Max RSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>143,209</td>
<td>1.13</td>
<td>161,725</td>
</tr>
<tr>
<td>Estimated Proposed</td>
<td>144,000</td>
<td>1.20</td>
<td>172,000</td>
</tr>
</tbody>
</table>

**Notes:**

1. USF means the portion of the building available for use by a tenant's personnel and furnishings and space available jointly to the occupants of the building.
2. Calculation excludes Judiciary, Congress and agencies with less than 10 people.
3. USF Per Person = housing plan total USF divided by total personnel.
4. R/U Factor = Max RSF divided by total USF.

**Special Space**

<table>
<thead>
<tr>
<th></th>
<th>USF</th>
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</thead>
<tbody>
<tr>
<td>Mailroom</td>
<td>5,000</td>
</tr>
<tr>
<td>Conference/Auditorium</td>
<td>8,000</td>
</tr>
<tr>
<td>Library &amp; RDCC Center</td>
<td>1,000</td>
</tr>
<tr>
<td>Training Room</td>
<td>1,000</td>
</tr>
<tr>
<td>Data Center</td>
<td>1,000</td>
</tr>
<tr>
<td>IT Equipment Storage</td>
<td>590</td>
</tr>
<tr>
<td>OCIO Operations Center</td>
<td>990</td>
</tr>
<tr>
<td>Medical Records Storage</td>
<td>795</td>
</tr>
<tr>
<td>Records Storage</td>
<td>1,900</td>
</tr>
<tr>
<td>Total</td>
<td>19,905</td>
</tr>
</tbody>
</table>
QUESTIONS?
Prospectus Process

- GSA Regions submit lease prospectuses to GSA Central Office in accordance with annual program call
- GSA sends lease prospectuses and supporting documents to OMB
- OMB reviews prospectuses with GSA and Client agency examiners. After OMB clearance, GSA submits lease prospectuses to Congress.

- House T&I and Senate EPW Committee Staff review lease prospectuses and provide separate committee resolutions.

October
- GSA Central Office reviews regional documents and addresses issues with Clients and GSA Regions

Nov-Mar

Apr-May

Mid May-Aug

Sep-Dec
Project Approvals

• Approval of a prospectus level project comes in the form of signed Committee Resolutions from:
  • House Committee on Transportation & Infrastructure
  • Senate Committee on Environment & Public Works

• GSA must have resolutions from **BOTH** committees prior to entering into prospectus level lease agreements.
Of special note: resolutions now specifically call out the need to notify the Committees if the UR rate or Delineated Area change.
Application of the Resolutions and Approved Prospectus

• GSA treats the lease prospectus (approved by resolutions) as the basis for lease award and obligation of funds.
• If committee resolutions differ, in general GSA abides by the more restrictive interpretation.
• The approved prospectus along with the resolutions provide controlling parameters for the procurement.
  • The maximum rental rate per rsf can be escalated via authority in a footnote.
  • The rental rate is a fully serviced rate regardless of who pays for operating costs.
  • The prospectus allows the lease agreement to include annual escalation of taxes and operating expenses.
Application of the Approved Prospectus

• Interim Leasing
  • Most prospectuses include a provision that allows GSA to bridge the gap between the expiration of the current agreement and the effective date of the new agreement.
  • Interim leasing actions should be as short as possible and structured to minimize vacancy risk.

• Changes to the Prospectus
  • Minor changes in the prospectus housing plan are permissible.
  • Major changes, such as substituting tenant agencies or large changes in personnel, are not
  • Notifications to Congress must be made for some changes (delineated area or utilization rates).
QUESTIONS?
Thank you for joining us today for a discussion on
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We hope to see you at our December 15th session on
Preparing a Requirements Package

Please help us finalize our 2017 program - Give Us Your Feedback

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