



Client Enrichment Series

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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Program/Project Manager
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



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

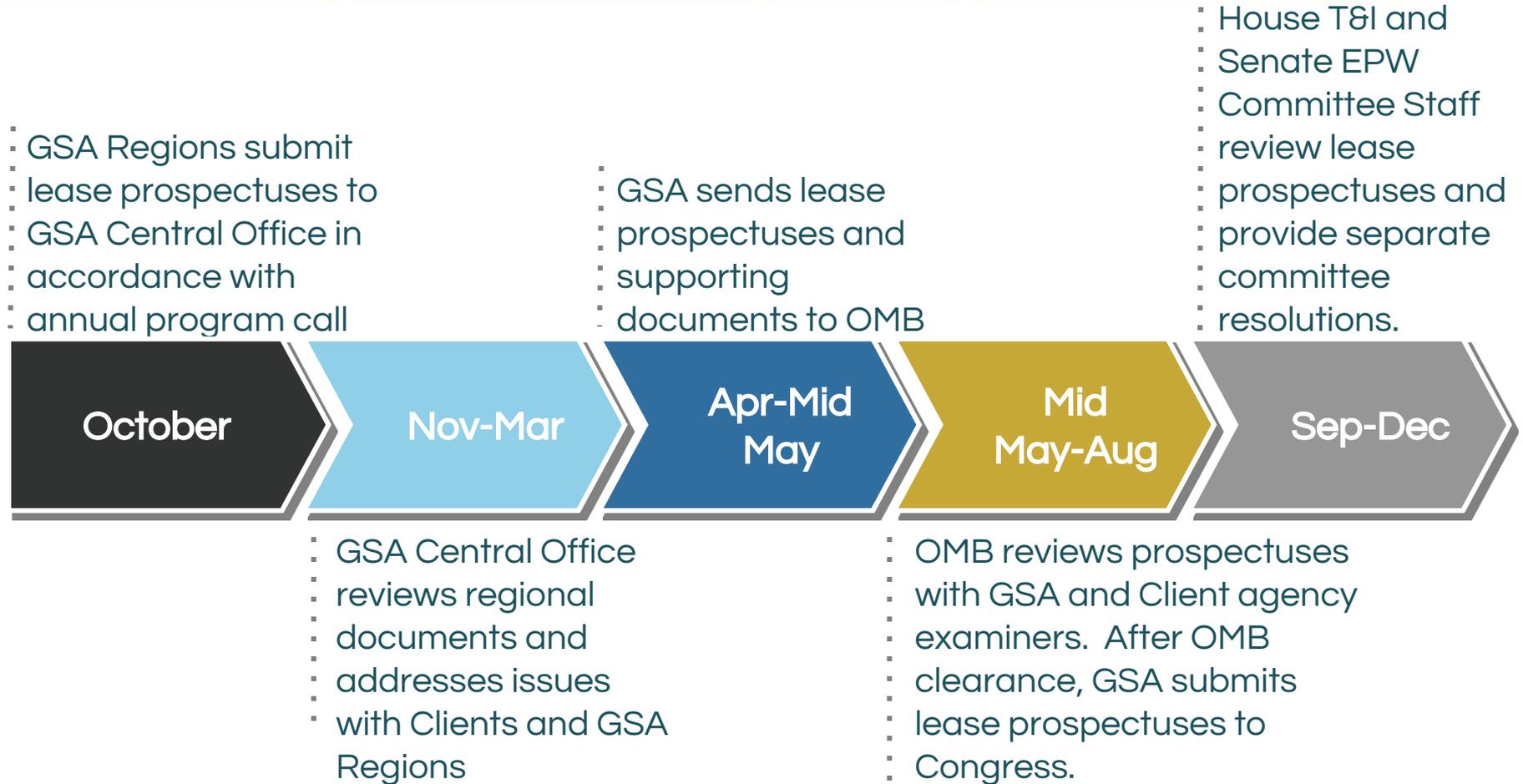
- Project management and communications plans developed
- Detailed needs interview conducted
- Detailed requirements developed
- UR/POR issues escalated, as required
- Project budget and schedule finalized
- RWAs submitted / accepted



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.

Prospectus Process



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

GSA

PBS

**PROSPECTUS – LEASE
PEACE CORPS
WASHINGTON, DC**

Prospectus Number: PDC-08-WA17

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

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

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 lessor 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.

GSA

PBS

**PROSPECTUS – LEASE
PEACE CORPS
WASHINGTON, DC**

Prospectus Number: PDC-08-WA17

Estimated Total Annual Cost ³ :	\$8,650,000
Current Total Annual Cost:	\$4,947,167 (leases effective 06/1/1998)

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

Leased Locations	CURRENT						ESTIMATED/PROPOSED					
	Personnel		Usable Square Feet (USF) ¹				Personnel		Usable Square Feet (USF)			
	Office	Total	Office	Storage	Special	Total	Office	Total	Office	Storage	Special	Total
1111 20th Street NW Washington DC	920	920	116,597	5,028	21,584	143,209						
Estimated/Proposed Lease							950	950	119,595	4,500	19,905	144,000
Total	920	920	116,597	5,028	21,584	143,209	950	950	119,595	4,500	19,905	144,000

Office Utilization Rate (UR) ²		
	Current	Proposed
Rate	99	98

UR = average amount of office space per person
 Current UR excludes 25,651 usf of office support space
 Proposed UR excludes 26,311 usf of office support space

Overall UR ³		
	Current	Proposed
Rate	156	152

R/U Factor ⁴			
	Total USF	R/SF/USF	Max R/SF
Current	143,209	1.13	161,725
Estimated/Proposed	144,000	1.20	173,000

Special Space	USF
Mailroom	2,500
Conference/Auditorium	9,000
Library & RPCV Center	1,200
Training Room	1,200
Data Center	1,800
IT Equipment Storage	580
OCIO Operations Center	950
Medical Records Storage	775
Records Storage	1,900
Total	19,905

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/Person = housing plan total USF divided by total personnel.
- ⁴ R/U Factor = Max R/SF divided by total USF





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

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



- 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.

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.

Sample Resolution

Of special note: resolutions now specifically call out the need to notify the Committees if the UR rate or Delineated Area change.



Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Bill Shuster
Chairman

Peter A. DeFazio
Ranking Member

Christopher P. Beckman, Staff Director Katherine W. Dieckrich, Democratic Staff Director

COMMITTEE RESOLUTION

LEASE
DEPARTMENT OF AGRICULTURE
NORTHERN VIRGINIA
PVA-05-WA17

Resolved by the Committee on Transportation and Infrastructure of the U.S. House of Representatives, that pursuant to 40 U.S.C. §3307, appropriations are authorized for a replacement lease of up to 131,000 rentable square feet of space, including 12 official parking spaces, for the Department of Agriculture currently located at 3101 Park Center Drive in Alexandria, Virginia at a proposed total annual cost of \$5,109,000 for a lease term of up to 15 years, a prospectus for which is attached to and included in this resolution.

Approval of this prospectus constitutes authority to execute an interim lease for all tenants, if necessary, prior to the execution of the new lease.

Provided that, the Administrator of General Services and tenant agencies agree to apply an overall utilization rate of 150 square feet or less per person, except that, if the Administrator determines that the overall utilization rate cannot be achieved, the Administrator shall provide an explanatory statement to the Committee on Transportation and Infrastructure of the House of Representatives prior to exercising any lease authority provided in this resolution.

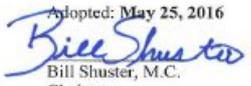
Provided that, except for interim leases as described above, the Administrator may not enter into any leases that are below prospectus level for the purposes of meeting any of the requirements, or portions thereof, included in the prospectus that would result in an overall utilization rate of 150 square feet or higher per person.

Provided that, to the maximum extent practicable, the Administrator shall include in the lease contract(s) a purchase option that can be exercised at the conclusion of the firm term of the lease.

Provided further, that the Administrator shall require that the delineated area of the procurement is identical to the delineated area included in the prospectus, except that, if the Administrator determines that the delineated area of the procurement should not be identical to the delineated area included in the prospectus, the Administrator shall provide an explanatory statement to the Committee on Transportation and Infrastructure of the House of Representatives prior to exercising any lease authority provided in this resolution.

Provided further, that the General Services Administration shall not delegate to any other agency the authority granted by this resolution.

Adopted: May 25, 2016



Bill Shuster, M.C.
Chairman

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
The Lease Prospectus:*

***A Guide to Understanding Its Statutory Basis,
Development Process and Conformity Requirements***

*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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