GSA PBS Customer Forum

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Office of Portfolio Management and Customer Engagement
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The Basics of Lease Procurement
Agenda

• GSA’s Mission

• The Lease Process
  – Documents
  – Key client interactions
GSA Mission Statement

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

Pre-Award

- Requirements Development
- Market Survey
- Solicitation
- Negotiations
The Lease Process

Post Award

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

- Project Manager (PM)
- Leasing Specialist (LS)
- Lease Contracting Officer (LCO)
- Broker
- Lease Administration Manager (LAM)
Lease Process - Standard

Requirements Development
- Delineated Area
- Square Footage
- Special Requirements

Pre-Solicitation
- Market Survey

Solicitation
- RLP Package

Negotiations
- Rate based on TI allowance

Post Award
- DIDs/CDs
- TI negotiation
- Build-out
- Acceptance/Occupancy

Step 1

Step 2

Step 3

Step 4

Step 5
Requirements Development

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

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

• Interactive process between GSA and agency.
Requirements Development

- Determine Strategic Requirements
  - Square Footage (OMB Memorandum “Reduce the Footprint”)
  - Delineated Area
  - Term

- Identify Unique and Special Requirements

- Agency Specific Requirements (ASRs)

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

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

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

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

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

Purpose:

• Identify all potential acceptable properties that can house agency

• Foster competition

• Obtain a sense of market conditions

• Develop negotiation objectives
Market Survey

- Conduct Market Research

- Advertise, as Needed
  - Requirement of 10,000 SF and above
  - Requirements that are in smaller submarkets that might otherwise lack adequate competition
Market Survey

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

- Discuss ground rules

Customer: Provide availability
Market Survey

• Tour potential properties with building owner, agent or representative
  – Building and common areas
  – Within premises/space

• Market survey form
  – Site and surrounding neighborhood features
  – Architectural features
  – Space characteristics
  – Conformity with accessibility & fire safety standards
  – Conformity with go/no-go criteria

Customer: Attend Market Survey
Market Survey

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

- End result is list of offers/locations to receive solicitation

Customer: Sign Market Survey Report/Form
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Award
Request for Lease Proposals (RLP)

• Performance-based, not prescriptive
• Results in an offer
• Must be issued to all parties with acceptable locations
  – Usually solicit current Lessor
  – Always send copy to agency and field office

Customer: Review/Approve RLP package
RLP Package Components

• RLP (GSA Form R100)

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

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

• Offer Forms
RLP Package - Customer Focus

- RLP (GSA Form R100)
- Scope of Work
  - Lease (GSA Form L100)
  - ISC security specs
  - Special/Specific Requirements
- “Ground Rules”
  - 3516 (Procurement)
  - 3517 (Lease)
- Offer Forms
Request for Lease Proposals

The Five Sections

• Section 1 – Statement of Requirements
• Section 2 – Eligibility and Preferences for Award
• Section 3 – How to Offer
• Section 4 – Method of Award
• Section 5 – Additional Terms and Conditions
Section 1- Statement of Requirements

Starts to answer basic questions of the lease procurement

• What…are we looking for?
  – Amount of space
  – Type of space, lease term
  – Fully serviced, fully-built out

• Where… does the space need to be located?
  – Delineated area
  – Neighborhood amenities, parking and public transportation

• Who…gets the proposal?
  – GSA Leasing Specialist, Lease Contracting Officer, National Broker firm, etc.
Section 2 – Eligibility and Preference for Award

• Provides Go/ No Go Minimum Requirements
  – Flood Plains
  – Seismic Safety
  – Asbestos
  – Accessibility
  – Fire Protection and Life Safety
  – Security
  – Energy Independence and Security Act
Section 3 – How To Offer

• Describes the offer submittal requirements (pricing forms, building and site information, floor plans, etc.)

• Addresses financial capability

• Scoring and prospectus limitations addressed

• States required TI Allowance
Tenant Improvement Allowance

• Funding source that enables the space to be built out

• Two components
  – General
  – Custom

• Can only be used to pay for items that are real property, or which become real property when attached or affixed to the building
Tenant Improvement Allowance

- Usually amortized over firm term of the lease
- If full allowance is not used for initial build-out, no longer available
- Rent payment is lower if an amount less than the allowance limit is used
- Alterations above the TIA or occurring after occupancy are funded by agency via RWA
Section 4 – Method of Award

• Outlines basis for award determination
  – Lowest price
  – Best value (award factors)

• Price evaluation based on net present value (NPV) analysis (discounting)
  – Rent
  – Relocation expenses
  – Overtime
  – TI overhead fees (Lessor and A/E)
Section 5 – Additional Terms and Conditions

• Space for additional pre-award considerations
  – Eligibility requirements
  – Submittal requirements
  – Award considerations

• Includes cross-references to modification of standard paragraph language

• Should not include agency’s special requirements
The Lease - The Seven Sections

- Section 1 – Premises, Rent and Other Terms
- Section 2 – General Terms, Conditions and Standards
- Section 3 – Construction Standards and Shell Components
- Section 4 – Design, Construction & Post-Award Activities
- Section 5 – Tenant Improvement Components
- Section 6 – Utilities, Services & Obligations During the Lease Term
- Section 7 – Additional Terms and Conditions
Section 1- Premises, Rent and Other Terms

• Left blank at RLP issuance
• Will be filled in by GSA at award
• Captures the terms of the deal
  – Square footage, rental rates, OT rates, % of occupancy, etc.
Section 2 – General Terms, Conditions and Standards

- Applies to all deals
- Definitions
- Adjustment provisions
  - Tax escalation
  - Operating Escalations
  - Adjustment for Vacant Premises
- Non-operational ownership issues
  - Waiver of Restoration
  - Change of Ownership
Section 3 – Construction Standards and Shell Components

• Addresses what owners need to know to prepare shell rent rates

• Specifications related to shell or overall building construction

• If not defined as Operating, TI, or Building Specific Amortized Capital, it’s considered a shell cost
Section 4 – Design, Construction & Post-Award Activities

• Addresses the sequence of events after award
  – Schedule and deliverables
  – Working days, not calendar days

• DIDs/CDs

• Acceptance of TI buildout is final and binding, except for punchlist items

• As-builts
Section 5 – Tenant Improvement Components

• Addresses how the space will be built out

• Finishes
  – Minimum of 3 finish options
  – 10 working days to submit
  – 10 working days for Government selection

• Includes latest paint and carpet specifications
Section 6 – Utilities, Services & Obligations During the Lease Term

• Addresses what services are required over the life of the lease

• Cyclical paint and carpet schedule found here
  – Refresh should not coincide with lease expiration

• HVAC : Local commercial equivalent temperature level and operating practices
Section 7 – Additional Terms and Conditions

- Allows for additional lease requirements
- Includes cross references to modification of standard paragraph language
- Special requirements can be here, or as a separate ASR package
 Lease Process - Standard

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Award
Negotiations

- Evaluate offers solely in accordance with the factors and sub factors stated in the RLP
- Identify deficiencies, inconsistencies, and deviations
- Review elements of the proposed rent to analyze whether individual elements are realistic and reflect offeror’s clear understanding of the work to be performed
- Obtain revised offers (as needed)
- Ensure proposed contract price is fair and reasonable
Negotiations - Rent Components

- Shell costs
- Operating costs
- TI amortization rate
- TI overhead fees
- Hourly overtime rate
- Building Specific Amortized Capital
- Parking
Negotiations - Final Proposal Revision (FPR)

- Conclude negotiations with request for Final Proposal Revisions (FPR)
  - No revisions to offer considered after FPR date

- Determine Best Offer (PVA)
  - Lowest-Priced Technically Acceptable Offer
  - Best Value/Tradeoffs

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

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

- EEO Compliance Reviews

- Scoring check (operating vs. capital lease)

- Small Business Subcontracting Plans

- Funds certification (always!!!!)
Award

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

  Customer: Sign OA

  Customer: Provide RWA if needed

• Transmit 2 copies of lease to successful offeror

• Execute lease contracts, return one copy to Lessor
  – Provide copies of lease contract to agency and field office
  – Notify unsuccessful offerors
  – Post award notice in FedBizOpps
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Award
**Design Intent Drawings (DIDs)**

- Also known as floor plans, layout, fit-out plans, or space plan
- Can be provided by Lessor, Agency, or GSA
- Typically Include:
  - Partitions/Doors/Hardware/Finishes
  - Telephone/Electric outlets/IT/Security
  - Millwork/Specials
  - Generic Furniture layout
Design Intent Drawings (DIDs)

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

Customer: Develop or Review DIDs, choose finish selections

Resource - GSA’s DID Review Guide
Construction Documents (CDs)

• Always provided by Lessor’s A/E
• Approved DIDs are the baseline
• GSA DOES NOT APPROVE CDs
• Require A/E seal for building permits
• Used by Lessor for obtaining construction bids for tenant improvements

May be reviewed by GSA / Customer
Tenant Improvement Negotiations

• “Procurement Within a Procurement”
• Lessor bids out the CDs for TI work only
• Lease requires bids from 2 or more separate General Contractors (GC)
• GSA may prepare Independent Government Estimate (IGE) to compare against bids
Tenant Improvement Negotiations

- Review proposals
- Identify questions, discrepancies, etc.
- Confirm no shell items are included in TI Proposal
- Verify price is fair and reasonable
- If TI Costs exceed the TI Allowance an RWA is required
- Issue Notice to Proceed (NTP) for construction

Customer: Provide additional RWA funds if needed
Construction Kick-off Meeting

- Include all Parties
  - GSA/Broker
  - Lessor (A/E and GC)
  - Customer
  - Field Office

- Review Roles and Responsibilities
- Establish Communication Protocols
- Review project requirements, submittals and schedule
- Conduct Progress Meetings/Site-Visits/Inspections, as needed
Customer Vendor Coordination

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

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

- Impact on schedule (critical path)
Accepting the Space

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

- Who attends?
  - Leasing Specialist/Lease Contracting Officer
  - Customer representative (Facilities & Local)
  - Lessor (A/E & GC)
  - Field Office representative
  - DHS-FPS
Accepting the Space

Final Inspection

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

Customer: Attend and document acceptance via signed GSA Form 1204
Moving Day!

- May request GSA Field Office to coordinate
- GSA Field Office would also take over at this point as the agency’s main POC
Initiate Rent

- Issue Lease Amendment to establish lease terms (effective date, square footage, annual rent) and commence rent
- Issue Final OA to bill Customer

Customer: Sign OA if pricing increases
Recap...

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

The Basics of Lease Procurement

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