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**MEMORANDUM FOR REGIONAL COMMISSIONERS, PBS
REGIONAL LEASING DIRECTORS
REGIONAL LEASING SERVICES OFFICERS**

FROM: JAMES C. WISNER
ASSISTANT COMMISSIONER FOR OFFICE OF LEASING - PR

SUBJECT: LEASING ALERT – Adding Renewal Options Following Lease Award

This Leasing Alert provides guidance on adding unevaluated renewal options following lease award.

GSAM 570.401(a) provides the regulatory authority to add the unevaluated renewal option after lease award. It reads: "(a) Exercise of options. Before exercising an option to renew, follow the procedures in 517.207. The contract must first provide the right to renew the lease. If a renewal option was not evaluated as part of the lease at award, then the addition of a renewal option during the lease term must satisfy the requirements of GSAM 506 [FAR Part 6] regarding full and open competition."

Sample reasons for requesting an "added" unevaluated renewal option include:

- Taking advantage of favorable market conditions;
- Replacement project is just getting started and time is needed to compete the requirement; or
- Housing need at current location is for more than two years but no more than 5 years.

GSA regions may add a single renewal option to any existing lease after lease award, provided that the renewal option does not exceed five (5) years. Please note that regions must use one lease amendment to add the renewal option to lease and a second lease amendment to exercise the renewal option. Also, GSA leasing specialists and lease contracting officers must complete (and obtain necessary approvals for) an acquisition plan prior to initiating any action to add a renewal option following lease award).

Because negotiating a 1 or 2 year "renewal option" into an existing lease requires more steps and resources than negotiating a lease extension, renewal options for terms of 2 years or less should be avoided. Also, GSA lease contracting officers cannot add unevaluated renewal options to leases that have expired although they are allowed to add an unevaluated renewal option during a lease extension period. In addition, GSA lease contracting officers cannot add unevaluated renewal options to leases that have existing fire and life safety deficiencies, unless the lessor agrees to correct the deficiencies as part of the renewal process. Finally, note that there can be no increase in square footage when exercising an added renewal option (reductions are acceptable when no alterations are required, however).

GSA regions must use this "added" renewal option policy carefully (e.g., to avoid renewing a lease with serious deficiencies) and must be aware that overusing this "added" renewal option policy can negatively impact GSA's ability to meet its Guiding Principle compliance goals under Executive Order 13514, since older leases may not have the most recent green lease language. In order to avoid serial lease extensions/renewals, GSA regions should have space ready for occupancy under a new lease agreement that includes updated and current lease language prior to the expiration of the added renewal option term.

See Leasing Desk Guide Chapter 9, entitled "Renewal Options," for more information on exercising unevaluated renewal options. As a reminder, an advertisement in FedBizOpps, a cost benefit analysis, a Justification, Scoring Determination, and Consideration of Prospectus Limitations, are required for unevaluated options, in addition to all of the steps detailed in the Leasing Desk Guide for evaluated options.

GSA regions must obtain prior written approval from the Assistant Commissioner for the Office of Leasing in order to deviate from the guidance in this Leasing Alert.

If you have any questions, please call me at (202) 208-4947.