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MEMORANDUM FOR: REGIONAL COMMISSIONERS, PBS
REGIONAL LEASING DIRECTORS
REGIONAL LEASING ACQUISITION OFFICERS

4/25/2016

 James C. Wisner

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Signed by: JAMES WISNER

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

SUBJECT: LEASING ALERT – Bullseye Program, Negotiation Objectives, and
GLS Commission Management

1. Purpose. This Leasing Alert addresses three key topics including the Bullseye Program, negotiation objectives, and the GSA Leasing Support Services (GLS) Commission Management. This Leasing Alert issues a national negotiation objectives template that is to be used by all regions regardless of the lease action type or size of the lease transaction, except for AAAP leases which do not require formal negotiations, disaster leases, On-Airport, and Small (3626) leases. Additionally, this Leasing Alert issues GLS Commission Management policy specifically developed to aid GLS Program Officials and brokers in determining how to compute the commission under the GLS Contract.

2. Background.

a. In September 2010, GSA Office of Leasing (PR) issued Leasing Desk Guide (LDG) Chapter 2, entitled “New and Replacing Lease,” to establish the procedures, techniques, instructions, and guidelines governing the acquisition of leased space. PR included guidance on lease negotiations to assist Leasing Specialists (LS) with preparing for negotiations, including setting negotiation objectives, screening offers received and subsequent negotiations, and receiving final proposal revisions. The LDG requires that GSA establish its initial negotiation position (i.e., negotiation objectives) before engaging offerors in negotiations. Negotiation objectives typically are targets within a price range that the LS expects to achieve through negotiation, based on market research. The Lease Contracting Officer’s (LCO) determination of a fair and reasonable price should align with these price objectives.

b. On May 29, 2012, PR issued guidance from Chris Wisner in an email to the regions to establish consistent implementation and application of the Bullseye Program across all regions. As part of this guidance, PR provided a negotiation objectives template that could be used as an alternative to the negotiation objectives template found in LDG Chapter 2.

c. On July 2, 2013, PR issued a Market Research Analysis and Negotiation Objectives template for the Succeeding Lease Model. This template captures market research information obtained through such means as FedBizOpps responses, CoStar reports, and regional listing files.

d. On September 30, 2015, PR awarded the third generation of the National Broker Contract, known as GLS. This contract includes a new commission structure known as the Standard and Best Value Commission. GLS and its administration are designed to create consistency for Commission Management across the regions by incorporating a standard template for negotiation objectives. The success of GLS is dependent on the brokers negotiating competitive lease rates through full utilization of the Bullseye Program, standardized negotiation objectives, and guidance for determining the GLS Best Value Commission.

e. Today, PR is clarifying the processes relative to the Bullseye Program, issuing a standardized negotiation objectives template, and providing guidance on Commission Management for GLS projects.

3. Effective Date. This Leasing Alert is effective as of the date of issuance unless modified, canceled, or reissued.

4. Cancellation.

a. Guidance for Bullseye Program (sent via email by Chris Wisner on May 29, 2012).

b. Market Research Analysis and Negotiation Objectives template found on PR's Google site.

5. Applicability. This Leasing Alert is mandatory and applies to all GSA real property leasing activities.

6. Instructions and Procedures. This Leasing Alert, instructions, and attachments are effective for negotiation objectives and GLS task orders issued on or after the effective date of this Leasing Alert.

a. Bullseye Program

The Bullseye Program provides the regions with three products that will be discussed in more detail below. The first product is the Bullseye report which is completed during or after the requirements development stage, when a delineated area has been established, but prior to receiving offers. The second is the Pre-award Assessment which is completed prior to award using the lease offer terms from the Proposal to Lease Space, Form 1364. The third product is

the Post-award Assessment, also known as the LCRM Assessment, which is completed following lease award and is triggered by a new finalized OA in OA tool.

1. Bullseye report

The Bullseye report is a market report provided by the Bullseye national team to regions specifying market rates, characteristics, and dynamics for the project delineated area. The Bullseye report utilizes data from REIS, CBRE Economic Advisors, and CoStar, when available. The report contains a Bullseye target developed by averaging asking full service rental rates. It identifies TI concessions and expected number of months of free rent as provided by REIS. The purpose of the Bullseye report, including the Bullseye target, is to assist the LCO, LS, or broker with developing and establishing appropriate negotiation objective goals.

The Bullseye report is completed after requirements are finalized when a delineated area has been established, but before receiving offers. The Bullseye report is required for all lease transactions in REIS major markets (to find REIS major markets, use the GIS Mapping Tool on the Bullseye website). The only exceptions are for on-airport projects and projects that are less than 75 percent office space. A Bullseye report is not available for these locations and space types even if located in a REIS major market.

A Bullseye report is requested through either GREX or the SharePoint/Google Drive sites. For new, new/replacing, succeeding, or superseding leases, the requestor will be prompted with a task in GREX to initiate a Bullseye report. The Bullseye report task will appear once the user completes the requirements development tasks in GREX. The Bullseye report task will stay in the user's GREX queue until completion of negotiation objectives. The Bullseye national team will receive notification through GREX that a request for a report has been submitted. The national team will complete the Bullseye report, to include a Bullseye target, and the requestor who initiated the request will receive notification that the report is complete.

For projects not prompted in GREX for a Bullseye report (e.g., extensions, renewals, AAAP leases, leases less than 2,000 RSF, and lease terms less than 36 months), the LCO, LS, or broker will instead need to upload the project details to the SharePoint/Google Drive sites in order for the national team to generate a Bullseye report.

Whether requesting a Bullseye report through GREX or the SharePoint/Google Drive sites, there are mandatory fields that the national team needs in order to complete a Bullseye report with a Bullseye target. These include the project number, size of lease (RSF), lease action (e.g., new, new/replacing, succeeding, etc.), delineated area (street boundaries preferred), term (both full and firm), indication whether LEED is required, parking requirements (type and total space count), and any other items which may specifically influence the rental rate (e.g., must not be located on the ground level, seismic requirements, security setbacks, etc.). Missing any of these key pieces of information may prevent the national team from completing a report or provide a Bullseye target. The report is usually completed and returned to the requestor within two weeks of the original request.

2. Pre-award Assessment

The Pre-award Assessment is an approved template that measures a lease offer prior to lease award in REIS major markets. This Pre-award Assessment is completed prior to award using

information from an offeror's Proposal to Lease Space, Form 1364. It compares the lease offer to a market average lease according to a certain set of assumptions. The analysis will compare the net present value (NPV) of the lease offer cashflows (including TI, parking, concessions, etc.) to the NPV of a market average lease cashflows (including TI, parking, concessions, etc.).

The Bullseye report will be used to generate the market average lease cashflows on the Pre-award Assessment. If there is no Bullseye report, the Pre-award Assessment will only use the latest REIS components to generate the market average lease cashflows.

There is no requirement for the LCO, LS, or broker to submit a request to the Bullseye national team to complete a Pre-award Assessment. It is an optional template provided to the regions by the national team to assist with comparing a lease offer to market. Although not mandatory, the national team stands ready to complete Pre-award Assessments if so requested. The regions have the ability to use the template themselves to complete their own Pre-award Assessments without requesting the national team's assistance. If an LCO, LS, or broker wants to request a Pre-award Assessment from the national team for their project once they have the terms of the lease offer in-hand, the request should be made by visiting the Bullseye SharePoint/Google Drive sites. Initiating a Pre-award Assessment request through the SharePoint/Google Drive sites will send an email to the national team for them to complete the request.

3. Post-award Assessment (LCRM Assessment)

The Post-award Assessment, also known as the LCRM Assessment, is GSA's official assessment comparing the final lease award amounts to that of a market average lease. The Post-award Assessment (LCRM Assessment) is done after lease award and is triggered by a new finalized OA in OA tool. The Post-award Assessment (LCRM Assessment) looks similar to the Pre-award Assessment but is instead populated with the final lease award amounts, as opposed to the lease offer amounts. In many situations, the final lease award amounts may be the same as the lease offer amounts if nothing has changed, in which case the Pre-award and Post-award Assessments will essentially be the same. The Post-Award Assessment is done to track the internal Blueprint measure which sets a national target for leases to either be a certain percentage below market, or a certain percentage of leased transactions below market. After comparing GSA's leased costs to market at the transaction level, the results are aggregated up to the regional and national levels and reported to OMB.

The Post-award Assessment (LCRM Assessment) is completed for all lease transactions where an award occurs in a REIS major market. The exceptions to this are on-airport leases or space with less than 75 percent office space. Similar to the Bullseye report, these actions do not qualify for a Post-award Assessment (LCRM Assessment) even if located in a REIS major market. The LCO, LS, or broker are not required to submit a request for a Post-award Assessment (LCRM Assessment); instead, the Bullseye national team will automatically generate a Post-award Assessment (LCRM Assessment) when triggered by a new finalized OA in OA tool.

The Post-award Assessment (LCRM Assessment) contains a certain set of assumptions. These assumptions are: 1) Escalation of the market rent; 2) Escalation of GSA's operating expenses; 3) Discounting the cashflows on both the final lease award and the market average lease; 4) Warm-Lit shell adjustment for new and new/replacing leases (e.g., tenant moved to a new block of space, new building, etc.); and 5) Free rent component, where indicated for new and

new/replacing leases (e.g., tenant moved to a new block of space, new building, etc.). The list of assumptions and methodology can be located on PBS Insite under the Leasing Metrics and Analysis page.

All Post-award Assessments (LCRM Assessments) for any given month will be posted in the Bullseye SharePoint/Google Drive sites no later than the 10th of the following month. Regions will then have two weeks after the Post-award Assessment (LCRM Assessment) is posted to adjudicate any issues before the assessment becomes final. The latest LCRM results will be posted to PR's Insite page by the 28th of each month.

b. Negotiation Objectives

This Leasing Alert issues a standardized negotiation objectives template, and it is required to be used for all projects regardless of size or procurement type (except for AAAP leases, disaster leases, On-Airport, and Small (3626) leases) to ensure national consistency in developing negotiation objectives. Additionally, a national template is needed, as discussed further below, to ensure that GLS Commission Management is administered consistently across all regions for all broker projects.

Before engaging offerors in negotiations, GSA must establish its initial negotiation position. Negotiation objectives are target rental rates, within a stated range which the LCO, LS, or broker expects to achieve through negotiation, based on market research. This range should be kept within a reasonable margin and should not be so wide as to limit its usefulness. The Bullseye report discussed above is a good source to assist the LCO, LS, or broker with setting appropriate negotiation objectives (so long as the lease action occurs in a REIS major market). Ultimately, the LCO's determination of a fair and reasonable price should align with the targets in the negotiation objectives template. As such, the LCO is required to approve and sign the negotiation objectives template regardless of who may prepare it (e.g., LS or broker).

Negotiation objectives are required for the overall lease transaction, as well as specific to each rental component of the offers received (e.g., operating costs, TI, shell, etc.). With the LCO's approval, negotiations can be conducted on behalf of the Government by the LS or broker. On projects tasked to the broker, the broker will prepare the negotiation objectives. On in-house projects, the LS may prepare the negotiation objectives. Both the preparer (LS or broker) and the approver (LCO) must sign. The LCO, LS, or broker negotiates the rental price for the initial term, any renewal periods, and any other aspect of the offer as deemed necessary. Negotiations must be pursued with all Offerors that are within the competitive range.

The use of the negotiation objectives template is mandatory for all lease actions regardless of size or procurement type, except for AAAP leases which do not require formal negotiations, disaster leases, On-Airport, and Small (3626) leases. The negotiation objectives template has features which should aid the LCO, LS, or broker with preparing and completing it. First, in REIS major markets, the template automatically imports market information from REIS. Second, it allows for manual inputs intended for secondary, small markets, or for non-office space in any market. And, finally, the template streamlines the amount of time needed to complete it since many of the fields are auto-populated and calculated. Additionally, the GLS Regional Program Manager (RPM) will use the negotiation objectives template which will assist them in completing the GLS Best Value Commission Determination Tool as described in more detail below.

When establishing negotiation objectives, the LCO, LS, or broker should use the Bullseye report, when applicable, to help with setting appropriate negotiation objectives. The Bullseye report, as discussed above, can be utilized as a tool to make informed leasing decisions on behalf of the Government, and can provide the necessary backup documentation to aid in negotiations with offerors. The report includes the rental rate range, Bullseye target, market concessions (i.e., tenant improvements and free rent), parking rates, etc., which then allows for the LCO, LS, or broker to complete the negotiation objectives template.

As discussed earlier, the Bullseye target rate itself does not represent the actual rate which, if achieved, guarantees that the lease will meet the LCRM measure. Instead, the Pre-award and Post-award Assessments will make adjustments to both the Bullseye target and anticipated (actual) lease rates as part of the comparative analysis as defined by the measure. The LCO, LS or broker should use these same adjustments, including market concessions, market escalations, and warm lit shell differential, to calculate individual target rental components such as shell or TI, and leverage such market information to achieve savings to the taxpayer. However, preparers are cautioned against equating the purpose of establishing negotiation objectives, which is to “establish the Government’s initial negotiation position” and “assist in the contracting officer’s determination of fair and reasonable price” with internal performance measures that are designed to track progress towards established organizational goals and objectives. While they are related; they are not the same.

When establishing negotiation objectives for projects where a Bullseye report is not available, the LCO, LS, or broker should rely on other sources to help set negotiation objective goals and complete the negotiation objectives template. These sources may include information gathered during the market survey, competing offers received in response to other recently-issued RLPs in the market, researching commercial sources (e.g., LoopNet, CoStar, etc.) to become familiar with the local market, regional appraiser’s market intelligence, and recent GSA and private sector lease contract rental rates nearby. The negotiation objectives template allows for manual inputs by the LCO, LS, or broker.

c. GLS Commission Management

For GLS projects, the commission should be documented in accordance with the GLS Contract sections C 4.1.6., G.2.1 and G.2.2, and by using the determination tool described further below. To ensure consistency in the assessment of commissions for GLS task orders, this Leasing Alert provides the specific steps, and issues the GLS Best Value Commission Determination Tool, for assessment of the Standard and Best Value Commission, when applicable. The GLS Best Value Commission Determination Tool also aids the GLS RPM with determining whether the broker receives the Best Value Commission on broker projects.

The steps for the Commission Management of GLS projects is fully automated in the GREX system and evidenced by the policy herein:

1. Establishing Negotiation Objectives

The broker will utilize the standardized negotiation objectives template and provide it in accordance with the terms of the GLS Contract.

2. RLP Issuance/Commission Negotiation

This is handled in accordance with the terms of the GLS Contract.

3. Award/Commission Credit

To determine the successful offeror, the commission credit inputted shall be based on the Standard Commission as a lump sum in the Present Value Analysis (PVA). The Standard Commission credit is automated by the GREX system and captured based on the Zonal Contracting Officer's input. The portion of commission paid to the broker shall not be included in the PVA calculation, only the commission credit.

4. Determination of Standard or Best Value Commission

Once the apparent successful offeror is determined and following completion of the PVA, the Best Value Commission determination is conducted by the GLS RPM. The GLS RPM will review the broker's performance for the previous performance period. The broker must first have received a level 4 (very good) or better performance rating in all rating criteria for the previous rating period in order for the GLS RPM to complete the GLS Best Value Commission Determination Tool.

The GLS Best Value Commission Determination Tool is to be completed and signed by the GLS RPM as the official record for determining if the broker receives the Best Value Commission. The LCO and broker are free to use the tool in order to see the results of whether a Best Value Commission is achieved; however, it is the GLS RPM's duty and responsibility to complete and sign the determination tool as the official record. The GLS RPM will not complete the tool where the broker has not received a level 4 (very good) or better performance rating in all rating criteria for the previous performance period. If a level 4 or better is not achieved, the broker will not receive the Best Value Commission regardless of the results of the determination tool.

In accordance with the GLS contract, those on the RLP distribution list will receive the Broker Commission Agreement at RLP issuance. The Broker Commission Agreement indicates the full commission percentage for the lease transaction and specifies that the commission credit amount will be determined at a later date. Following the Present Value Analysis, the commission calculations will be handled by the Broker, COR, and the RPM within G-REX. The system will instruct the RPM on when to review the calculations for the possibility of the Best Value Commission using the Best Value Determination Tool and performance rating criteria. Once the commission calculations have been agreed upon by the Broker, COR, and RPM within G-REX, the commission credit and rent schedule can then be updated in the lease contract and then transmitted to the successful offeror for execution.

5. Using the GLS Best Value Commission Determination Tool

- I. The GLS RPM will use the following: Data directly from the GSA Form 1364 or other final offer documentation, Bullseye data provided by PR, or the market midpoint of the approved and final negotiation objectives.
- II. If the broker is not performing Post-award services for a Module, TI should be excluded from the aggregate lease value calculation used as a basis to calculate the commission and the resulting commission credit.

- III. Include the proposed Best Value Commission in the determination tool.
- IV. When no Bullseye report is provided, the broker prepares the negotiation objectives template establishing the market midpoint; however, it is the LCO's responsibility when signing the template to approve the market midpoint amount. The GLS RPM will then use the market midpoint, as approved by the LCO, to complete and sign the GLS Best Value Commission Determination Tool with the final results.
- V. If the broker does not meet the established criteria to earn the Best Value Commission, the broker shall instead receive the Standard Commission. See GLS Contract, section C 4.1.6., G.2.1 and G.2.2 <http://www.gsa.gov/portal/content/164547>.

6. Final Documentation of the Commission

This is handled in accordance with the terms of the GLS Contract. See GLS Contract, section G <http://www.gsa.gov/portal/content/164547>.

Attachment 1, Sample Bullseye Report

Attachment 2, Pre-award Assessment and Post-award Assessment (LCRM Assessment)

Attachment 3, Standardized Negotiation Objectives Template

Attachment 4, GLS Best Value Commission Determination Tool

COVER PAGE FOR ATTACHMENTS 1 THROUGH 4