

GSA to Streamline, Standardize, and Simplify Lease Process: Lease Process Reform is Underway

by Denise C. Broskey and Brenda K. Johnson, GSA

The U.S. General Services Administration (GSA) has a presence in more than 2,200 communities across all 50 states. As the government's civilian "landlord," GSA's Public Buildings Service (PBS) supports customer missions by designing, building, maintaining, and leasing more than 362 million square feet of owned and leased space to meet the diverse space requirements of the federal workforce.

GSA's mission is to use our expertise to provide innovative solutions for our customers in support of their missions and in so doing foster an effective, sustainable, and transparent government for the American people.

—Martha Johnson, GSA Administrator

In 2009, at 184.4 million rentable square feet, GSA's leased space exceeded the owned inventory. This generated \$4.86 billion in rent payments to lessors across a total of 8,975 leases. The sheer increase in GSA's leasing activity, combined with requirements to meet numerous executive orders, laws, and statutes, generates challenges for GSA and the lessors, developers, and brokers who work on GSA leases.

In 1966, the leased inventory totaled 45 million square feet. That same year, owned inventory totaled 149.4 million square feet. Over the past 40+ years, the leased inventory has nearly quadrupled.

One of Bob Peck's first actions in his encore appointment as GSA PBS Commissioner [Peck was Commissioner from December 1995 to January 2001 and returned as PBS Commissioner in 2009 after spending time in the commercial leasing arena] was to champion an overarching review of the GSA lease process, with a goal to improve responsiveness to customers, enhance collaboration with the private sector, and eliminate regional inconsistencies and counterproductive policy and process constraints. This high priority effort evaluated how long it takes to work a lease from end to end; the high cost to offerors to compete for GSA leases; delays and inconsistencies in the requirements development process; and the detrimental

effect that holdovers and extensions have on our lessors' ability to refinance or sell their GSA-tenanted buildings.

The result is the Lease Process Reengineering Team Final Recommendations Report—a comprehensive white paper to improve GSA leasing for all parties involved, including the GSA leasing community and our customer agencies. The recommendations include quick wins and longer-term strategies to simplify the lease procurement process, shorten the cycle time, and reduce lessor costs for certain lease procurements. The Report has been endorsed by Commissioner Peck, and a team of dedicated individuals is working within GSA and with the private sector to vet and implement the recommendations. The goal is to enable GSA real estate professionals to fulfill customer lease requirements more responsively and timely, and to work more efficiently with the private sector and make it easier to compete for GSA leases. Although some of the recommendations can be put into action quickly, others—which involve changes to internal policy, acquisition regulations, and statutory authority—will demand effort over a longer term.

Our goal is to develop a better (lease) acquisition process that strikes a productive balance between consistency across the regions, flexibility for local offices to respond to each customer's unique requirements, and to make it easier for the private sector to participate in GSA leases

—Bob Peck, Commissioner GSA PBS

GSA's lease portfolio shows that more than 80 percent of leases have a net annual rent value (net of operating expenses) of \$500,000 or less, representing 31 percent of total square footage and 25 percent of the net annual rent. On the other end of the spectrum, leases exceeding \$1,000,000 net annual rent account for less than 10 percent of our transactions but represent more than 50 percent of square footage and 60 percent of net annual rent (net annual rent includes rent, tenant improvements and taxes and is exclusive of operating expenses). The chart below, Share of Total

(Continued on page 2)

GSA to Streamline, Standardize, and Simplify Lease Process (cont'd)

(Continued from page 1)

Lease Portfolio by Rent Level, reflects the makeup of the inventory by lease count, net annual rent, and square feet, which provides the basis for supporting the proposed lease models and business process changes.

In general, the most significant improvements will accrue by concentrating on smaller leases (those with a net annual rent value up to \$500,000), and using such proposed new process options as the Simplified Lease Acquisition Model, Accelerated Lease Model, and Succeeding and Superseding Lease Models. This path emphasizes consistent policies, processes, and procedures within and among all GSA regions, and a consistent approach to organization structure, and training.

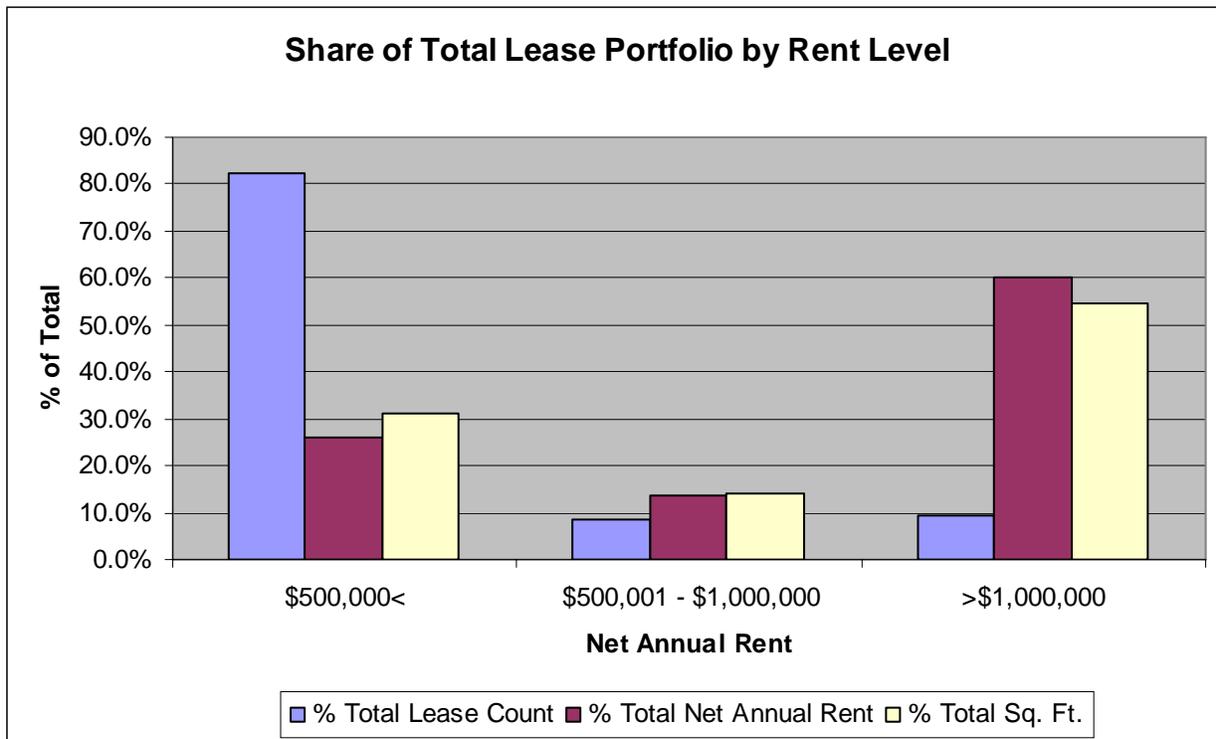
The cumulative impact will affect just about every aspect of public sector leasing. For example, enhanced acquisition models for smaller leases will streamline the process for more than half (up to 58 percent) of GSA's annual lease transactions, and the models for succeeding and superseding leases (extend and blend type leases) will cover an additional 29 percent of our transactions nationwide. We

also plan to implement a host of improvements to our overall lease business operations, ranging from better acquisition planning to a reorganized and easier-to-use standard Solicitation for Offers (SFO). The benefits of these changes will be felt in each of GSA's 11 regions and by our customer agencies, lessors, and potential lessors as we drill down to the regional level, targeting the proposed lease models and business operations changes that offer the best solution for each region's customer and portfolio demographics.

A second set of recommendations proposes processes to improve various aspects of lease business operations. Initially, these will involve relatively straightforward, uncomplicated changes to benefit a broad spectrum of the leasing community. For example, GSA will clarify space measurement terminology and begin to use Construction Specifications Institute standards and specifications in the Tenant Improvement Costs Summary (TICS) table.

Next, there are changes that involve more groundwork and coordination. Here are some recommended improvements currently being refined:

(Continued on page 3)



GSA to Streamline, Standardize, and Simplify Lease Process (cont'd)

(Continued from page 2)

- Summarizing lease elements into a short synopsis—produced automatically from our data systems—that will appear on the first page of the Solicitation for Offers. This will allow potential offerors to quickly determine whether they wish to submit an offer;
- Addressing current systems capability to provide the ability to accept offers on-line;
- Standardizing a template to be used for all lease advertisements placed in FedBizOpps.

Implementation: The Path Forward

Moving forward, the implementation team is prioritizing the recommendations and organizing them into manageable segments. Our timeline is aggressive with the intention of implementing the first group of changes this fiscal year. Notably, we are well on our way to implementing one simple but significant recommendation: improving communication with the private sector. Many of the recommendations have already been shared with industry partners to obtain their perspective, evaluation, and comments.

During the initial phases of the reengineering project, the team has concentrated on developing and implementing improvements to the lease process itself, and deferred examining significant components that are outside the lease process. A third phase in this effort will evaluate how other business line functions can improve the lease acquisition process, including optimizing PBS system, human resource management, and internal and external training needs.

Who's Involved

GSA leasing and contracting associates from all 11 regions and the National Office worked in specialized sub-teams, focusing on topics ranging from lease scoring and simplified lease models, to rent bill management and tenant improvements (build-out), improving prospectus package submittals, and our post-award tenant improvement/Design Intent Drawing process. The Team consulted with GSA business line subject matter experts, hosted a GSA/industry forum in December 2009 to hear what our stakeholders had to say about GSA leasing, and held a roundtable discussion with the GSA's National Account Managers for insight into the customer experience. Further feedback came

from a GSA sponsored Financial Lender's Symposium GSA which brought together the GSA leasing community, lenders, and lessors for a day of discussion on issues and problems related to financing GSA leases.

Private sector feedback will continue to play an important part in the quest to streamline, simplify, and standardize GSA leasing. A group of developers and real estate professionals from around the country are in the process of analyzing the recommendations and providing comments on the positive effect the GSA lease procurement changes will have on their business.

Want more information?

A summary of the recommendations that directly affect the private sector, as well as the complete report, are posted on the Federal Business Opportunities (FedBizOpps) web site at www.fbo.gov/spg/GSA/PBS/PQ/GSA_Refine_Leasing/listing.html.

Want to get involved?

Your comments and suggestions concerning GSA's lease procurement process reform are important as we move toward a more open/transparent public/private coalition. Please contact us at RefineLeasing@gsa.gov.

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