



Lease Models: Simplified, Streamlined, Standard, Succeeding/Superseding, and On-Airport Expedited
Process Improvements and Enhancements • Regional, Customer, and Private Sector Communication • Training



Lease Reform Implementation Report

April 2011

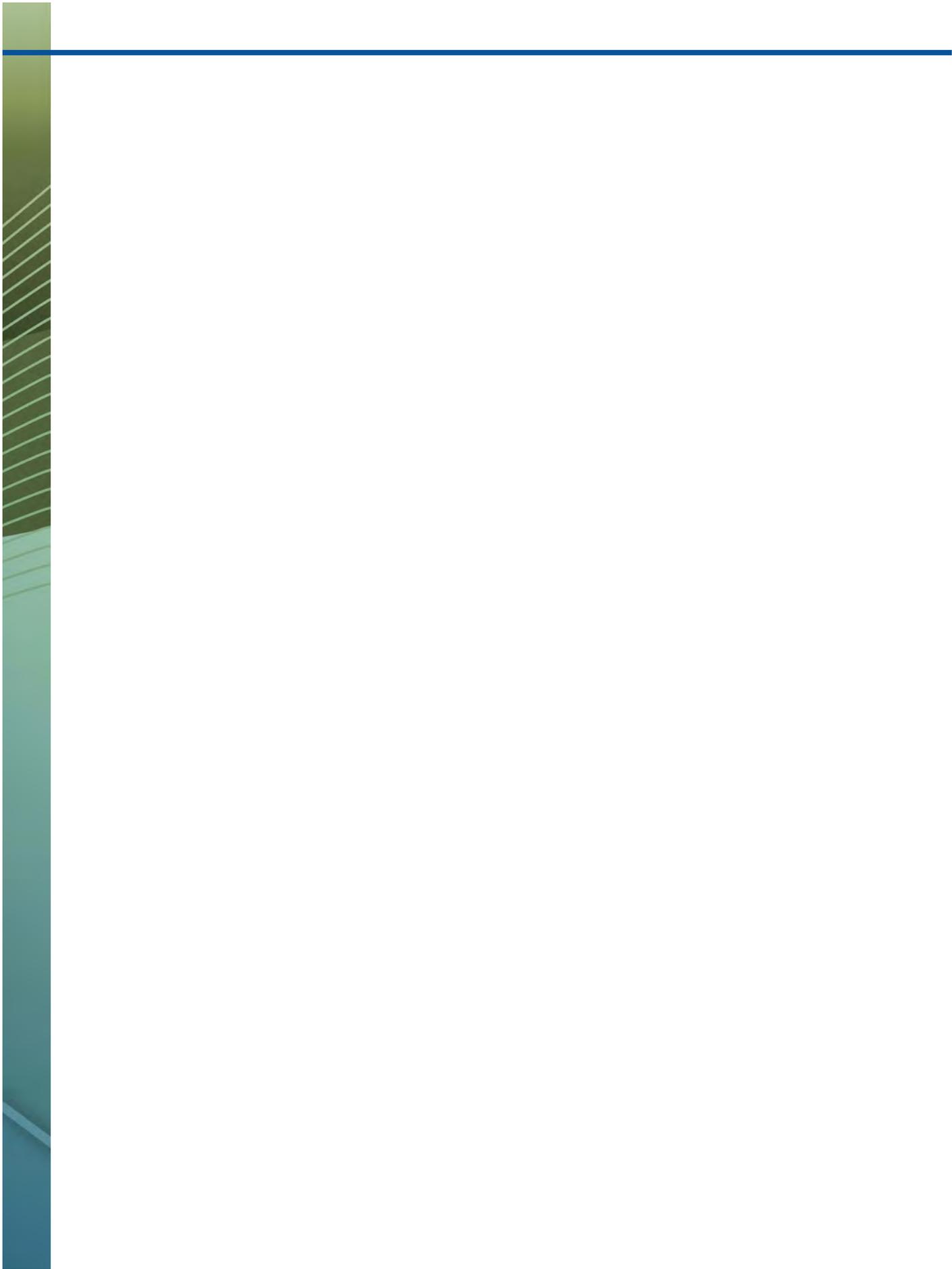


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Preface

Lease Reform is the culmination of the Lease Process Reengineering Initiative that PBS Commissioner Robert A. Peck championed to perform an overarching review of GSA's lease acquisition process and to improve the lease acquisition process for GSA, our customers, and the private sector. It exemplifies an exceptional team effort that began in late 2009, resulting in reforms, improvements, and cultural shifts covering the entire gamut of lease acquisition.

The products presented here represent improved policies, processes, and procedures initiated and developed for and by the regions, with Central Office participation and project management. Lease Reform is the result of the efforts of the very associates who will put these changes into everyday practice. This is the clearest signal of all that lease acquisition reform can generate both the sustained effort that success requires and the benefits that stakeholders can anticipate. Lease Reform is being incorporated into the GSA Leasing Desk Guide (LDG) as policy and will be open to active, continuing improvement in the coming months and years.

WE ARE INDEBTED TO OUR REGION, BUSINESS LINE, CUSTOMER, AND PRIVATE-SECTOR PARTNERS, WHO HAVE ENGAGED IN LIVELY AND THOUGHTFUL DISCUSSIONS.

Words cannot sufficiently convey my profound thanks for the generous time and energy devoted to this work by the many dedicated and talented associates who participated. Though they are too numerous to mention by name here, a list of contributors appears in Attachment A of this report. To them, we owe kudos and gratitude for a difficult job very well done and, as ambassadors going forward, for promoting Lease Reform and assisting the leasing community in making the required cultural shift. We are also indebted to our regions, business lines, customers, and private-sector partners, who have engaged in lively and thoughtful discussions to make certain that we reflect individual stakeholders' perspectives in shaping these reforms.

GSA is not closing the books on Lease Reform; rather, we have reached a new stage of improved policy that will guide us as we continue to refine how we achieve our mission. Several important issues outside the scope of this initiative are on the horizon and will undoubtedly be the subject of changes in the near future.

Denise C. Broskey
Director, Center for National Program Support
National Project Manager for Lease Reform
PBS Office of Real Estate Acquisition

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Executive Summary

This report brings true Lease Reform to GSA leasing by implementing changes in lease processes, policies, and business operations identified in the Lease Process Reengineering Initiative team's final recommendations of March 2010. The second report, in October 2010, provided for the immediate implementation of the following nine improvements that could be incorporated into GSA lease operations immediately:

- The simplified lease model for leases up to the SLAT (Simplified Lease Acquisition Threshold), currently \$150,000 net average annual rent
- Succeeding and superseding lease models
- A petition to increase the SLAT to \$500,000 (requirements specified in the GSA Acquisition Manual, or GSAM, dictate threshold dollars) that is being pursued by the GSA Office of Congressional and Intergovernmental Affairs. All of the legislative initiatives have been reviewed by counsel and are now with the GSA Administrator's office. Once cleared, the package will go to the Office of Management and Budget (OMB) for approval.
- Applying industry space measurement technology consistently by specifying ABOA (ANSI/BOMA Office Area) as the GSA standard for the area where people and furniture are housed
- A "one and done" acquisition plan, no longer a living document that must be revised
- A template for FedBizOpps advertisements and a Procurement Summary to be attached to each RLP (templates have been enhanced since October and combined into a single document)
- Internal/external/customer communication strategies
- Adoption of the MasterFormat standard for costing and pricing tenant improvement construction costs
- Reducing the turnover of Central Office exception reviews for rent bill management to no more than 15 days (currently averaging 3 days).

This report provides for the implementation of the remaining 13 recommendations plus an expedited on-airport lease model specifically designed for airport leased facilities that will benefit customers such as the Transportation Security Administration (TSA) in particular. In addition, GSA's Solicitation for Offers (SFO)—a legacy document that provides solicitation language, instructions on how to offer, and lease terms—is being separated into independent solicitation and lease contract documents. This significant change mirrors

private-sector practices and makes it easier for potential offerors to determine the technical requirements and conditions to make an offer.

All implementing documents, forms, and instructions for these changes appear in each section under “Implementation Components.” They are also being posted internally to GSA on the Office of Real Estate Acquisition’s InSite page at http://pbsportal.pbs.gsa.gov:7777/pls/portall/docs/PAGE/PO/DOCUMENTS/PR/PR_DOCUMENTS_FOR_EDITORS/RE-ENUPDATES.html as they become available.

Final documents will be available to the public at www.gsa.gov/portall/content/211925.

The following changes, explained in this report, are new to GSA lease acquisition:

- **Request for Lease Proposal and Lease Contract**—The SFO becomes two documents with separate functions: a Request for Lease Proposal (RLP) and a Lease Contract. This separation represents a major cultural shift that aligns GSA with private-sector practices. Each document is designed to perform its primary function: soliciting competitive proposals, and legally binding parties to lease terms.
- **Lease models related to the size and complexity of the transaction based on net annual rent levels**—Lease models were developed to tailor the acquisition to the size, complexity, and security level of the transaction. The old “Short Form 3626” lease has been replaced with a simplified lease model for leases under the SLAT for Interagency Security Committee (ISC) security levels I–II; a streamlined lease model supports leases up to \$500,000 net annual rent and ISC security levels I–III; when the acquisition does not fall within the parameters of the other lease models, a standard lease based on the traditional TI/SFO will be used, providing for the complexities of level IV security requirements, extensive tenant alterations, and prospectus-level leases; succeeding/superseding lease models are designed for GSA to make the business case when it is in the best interests of the government to stay in place; and an expedited on-airport lease model accommodates the special circumstances of on-airport leases. These models define how GSA will propel leasing into 21st century practices for the benefit of GSA, our customers, and the private sector.
- **Fire protection and life safety**—Many of GSA’s internal reviews duplicate code adherence already required by local permitting authorities when based on International Building Code (IBC) standards. The criteria for certificates of occupancy issued by local authorities, especially those for buildings constructed in recent years, generally mirror standards specified by GSA.

For all leases, offerors may demonstrate fire protection and life safety (FPLS) compliance as stated in the lease by providing a certificate of occupancy issued by the local jurisdiction, providing the certificate demonstrates compliance with the IBC and the building meets the Fire Act provisions for 6th floor or over if over 35,000 square feet cu-

mulative space, the GSA Fire Alarm requirements, and does not have external fire escapes or interlocking/scissor stairs. A PBS FPLS review is required only if these conditions are not met or if the Lease Contracting Officer determines the review to be necessary.

- **Seismic**—Seismic review is time consuming and expensive. Seismic requirements for Federal leases have been identified and the process has been clarified for building owners.
- **Process improvements**—Various process improvements entail policy and training, leasing support service contracts, scoring review clarifications, revised general clauses, incorporating forms directly into the RLP and Lease Contract, and improving the tenant improvement/post award process.
- **Initiatives**—Electronic initiatives encompass the development of new electronic and IT tools, and ways to use existing IT systems relevant to leasing more effectively.
- **A stronger customer connection**—Strengthening our customer connection will enhance our ability to address customer needs. Customers simply want to be informed throughout the lease process, and to receive space that meets their needs in a timely manner, at the best rate. GSA can deliver space that meets the customer’s mission and needs, according to schedule, by identifying customer space requirements up front through the requirements development process and by enacting rules of engagement with our clients that clarify the pre-solicitation and post award roles and responsibilities of all parties (the customer, GSA, and the lessor).
- **Communication**—Communication within GSA as well as with our customers and the private sector is vital to the success of applying Lease Reform models and process improvements for mutual benefit. One side of communication is effective training to help associates, regions, business lines, customers, and our broker partners understand and implement Lease Reform changes. The other side of our communication strategy requires GSA to forge stronger working relationships with the real estate industry through public-private partnerships with professional real estate organizations and practitioners nationwide to obtain feedback on Lease Reform efforts to streamline the GSA acquisition process. Certain markets will be the sites for public forums to increase awareness and bring further transparency into the new processes.
- **Global project management (gPM)**—The discipline and principles of global project management provide the core philosophy that will unify the many individual lease processes and models and help GSA produce superior results for client agencies. The appropriate personnel and qualifications will be present on a team from the inception of a lease project, thereby eliminating disjointed handoffs and providing customers and industry partners with a seamless experience. GSA, customers, and industry partners will benefit from an enhanced project management approach involving multi-disciplined project teams.

Going forward, successful Lease Reform requires using the appropriate lease model for each transaction to achieve maximum efficiency and the optimal deployment of personnel. Although the lease models have been developed to fit the complexity of the project, security level, and market conditions, the decision to use a particular model also depends on the Lease Contracting Officer's judgment. GSA will lead with our expertise; customers will not dictate the procurement method and model employed.

The Leasing Desk Guide (LDG)—the authoritative PBS guide to policies and procedures governing the acquisition by lease of real property—will publish the reforms established in this report as policy along with the implementing templates, forms, and documents, and will be the source for continued process and policy improvement updates. The policies of the Desk Guide apply to all PBS personnel engaged in the acquisition and administration of leasehold interests in real property. It also applies to client agencies that lease space under delegated authority from GSA where it implements laws, Executive orders, and regulations. Lease Acquisition Circulars (LACs)—which replace the former Realty Services Letters and issue policies and document additions and revisions to the LDG—will be issued establishing Lease Reform changes as formal GSA policy.

The simplified, succeeding/superseding, and on-airport lease models present an immediate opportunity to benefit GSA, our customers, and lessors, improve processes, and reduce lease cycle time. These models are in place as current policy, and Lease Contracting Officers are required to use them for transactions fitting the guidelines.

The GSA Workplace Solutions team from the Office of Client Solutions is developing a plan to address the need for Agency-Specific Requirements (ASR) on a national level. The ASR is an information package that describes the customer's space requirements in sufficient detail for offerors to provide pricing for a turnkey buildout. The ASR package is narrative and may also include drawings of typical rooms or other construction features. Obtaining *accurate and relevant* agency requirements before the market survey and beginning the solicitation process is key to the success of the simplified lease model. In the absence of a nationally completed, approved ASR, the gPM team will work to secure these requirements from their customers on a case-by-case basis for each lease procurement during the Transaction Management Playbook (TMP) tasks in order to immediately achieve the benefits of the simplified and streamlined models.

The succeeding/superseding model, released in October 2010 in the SFO format, has been retooled in the RLP and Lease Contract format, which replaces the SFO version.

The on-airport model is based on a highly successful pilot program inaugurated in GSA Region 9 to address a high number of TSA leases expiring in fiscal 2011 (more than 300 TSA leases nationwide). The model is airport-specific and can be applied to all GSA leases on airport premises.

Starting **May 2, 2011**, the standard and streamlined lease models are being piloted on a limited basis to identify implementation hurdles and develop performance measures to track

outcomes. Lessons learned through the pilots will help refine the forms, templates, and guidance before issuing final policy and mandating their use. During the pilot period, GSA will continue to have leases that follow the current TI SFO process and policies in parallel with those in the pilot group using the reformed models and processes. (Each region is expected to pilot at least five standard and five streamlined projects.) In order to manage these parallel processes, the LDG will continue to reference the current TI SFO process and policies in its regular chapters, while the new lease models and policies that are being piloted will be captured in the Desk Guide as appendixes. For example, Desk Guide Chapter 2, “New or Replacing Lease,” will continue to document the current standard lease model and policy, and the reengineered standard lease model policy will be available in the appendix. The LDG will document the corresponding lease model appendix, based on the schedule shown below.

Time Line for Issuing Lease Model Guidance and Conducting Pilot Tests

Reform Model	Initial Desk Guide Chapter Publication	Long Term Desk Guide Chapter	Lease Reform Pilot completed (from release)
Simplified	Chapter 3: Simplified Lease	Chapter 3: Simplified Lease	Immediate implementation
Streamlined	LDG Pilot Appendix	Chapter 4: Streamlined Lease	9 months after May 2, 2011
Standard	LDG Pilot Appendix	Chapter 2: New or Replacing Lease	12 months after May 2, 2011
Succeeding & Superseding	5: Succeeding, Superseding lease	Chapter 5: Succeeding, Superseding lease	Immediate implementation
On-Airport	LDG Pilot Appendix	Chapter 20: On-Airport lease	Immediate implementation

Lease Reform will remain vital and productive as we revisit the challenges that have driven this initiative from its beginning and assess progress toward our goals. The near future will bring numerous improvements: clarity in and resolution of GSA’s pricing policy by evaluating how the shell and TI components of rent equate to private-sector practices; IT enhancements that promote consistency, efficiency, and productivity; policies and guidance on lease construction; new contracts for leasing support services; the attainment of a leasing team structure operating under the principles of gPM; and engaging customers as full partners in the leasing process. If the simplified lease acquisition threshold (SLAT) is increased above today’s \$150,000, the simplified lease model must be revisited to provide adequately for larger, more complex leases. The RLP and lease templates for all lease models in this report will undergo reviews by engineers and architects going forward to ascertain that they reference the most recent code requirements and specifications. Continuous improvement will come about by incorporating best practices and lessons learned into the lease documents, forms, processes, and guidance.

Input from GSA associates, our customers, broker partners, and the private sector is driving Lease Reform. The mailbox RefineLeasing@gsa.gov is being maintained to receive comments and suggestions, capture best practices, and record lessons learned in order to sustain Lease Reform as an ongoing initiative.

Introduction

PBS Commissioner Robert A. Peck directed a top-to-bottom review of GSA lease acquisition with the goal to streamline, standardize, and simplify the process for GSA, its customers, and the private sector.

The team—composed of experienced leasing professionals from all GSA regions, business line experts, and the National Office—sought input from client agencies, our broker partners, lessors, and private-sector firms that routinely participate in leasing activities, as well as from professional associations. It was immediately clear that support was strong in all quarters for making GSA Lease Reform a reality.

A GSA-industry forum was held to solicit input and ideas from the private sector. The team took the exchange of ideas, concerns, and constraints to heart and incorporated industry input into the final recommendations. Industry partners—both national and local firms—expressed the need to have lease process consistency, not only across the regions but also within each region’s leasing staff, and stressed the need to speed up the lease time line. They stated that long delays in processing leases from proposal to award (the lease cycle time) drive up lease rates, since markets are highly volatile, and eliminate participation by lessors who lack the stamina or capital for lengthy lease procurements. This input has been key in developing these Lease Reforms.

The remainder of this report is organized as follows:

- Lease Reform Recommendations
- Cultural Shifts
- Lease Models
- Process Improvements
- Connecting with Customers
- Communication
- Closing the Circle
- On the Horizon.

“THIS WORK IS CRITICAL—
ESPECIALLY SINCE, IN 2008 FOR
THE FIRST TIME IN PBS HISTORY,
OUR LEASED SQUARE FOOTAGE
SURPASSED THE SPACE WE
OWN. THIS TREND CONTINUES.
CLEARLY, WE HAVE TO MAKE
SURE THE PROCESS IS EFFICIENT,
GETS OUR CUSTOMERS WHAT
THEY NEED TO FUNCTION WELL,
AND ENABLES US TO GET THE
BEST DEAL WE CAN FOR THE
GOVERNMENT.”

—Robert Peck,
PBS Commissioner

Lease Reform Recommendations

Although the original set of Lease Reform recommendations were numbered, this report does not discuss them in numerical sequence but instead groups them according to their scope and topic. The following table shows which recommendations and improvements are explained in the report sections.

Report Section	Recommendation
Lease Models	Establish a Simplified Lease Acquisition Model (Under SLAT)
	Create a Streamlined Lease Model
	Create Acquisition Models for Succeeding and Superseding Leases
	Petition to Increase the Simplified Lease Acquisition Threshold
	Make Solicitation Improvements to Standard Lease Model (Original TI SFO)
	Legal (General Clauses, Split SFO)
	Expedited on-Airport Lease Process
Process Improvements	Seismic Review Process
	Pricing Policy & Pricing Policy Training
	Provide Resource Needs/Contract Support
	Clarify Scoring Policies
	Improve TI/Post Award Process
	Clarify Prospectus Lease Process
	eInitiatives (eLease, REXUS, Rent Bill Management, eOffer, eSignature)
	Apply Industry Space Terminology Consistently
	Expedite Process for Fire Protection and Life Safety Reviews and Utilize Certificates of Occupancy That Conform to IBC Standards
	Improve Acquisition Plan Process
	Include a Synopsis for Each SFO
Client Connections	Develop an Approach to Track and Manage Space Requests and Address Client Connection Concerns
Communication	Develop GSA/Customer/Private Sector Communication/Interaction Plan

“Great presentations. ... A lot of people are impressed. So good were things, in fact, I was wondering if electronic versions of the slides could be had.”

—Art Turowski,
Senior Vice President,

Jones, Lang LaSalle Americas, Inc. Washington, DC.

(Commenting on Lease Reform presentation at National Federal Development Association program)

Cultural Shifts

GLOBAL PROJECT MANAGEMENT

In addition to implementing the specific recommendations discussed in this report, Lease Reform embraces the all-encompassing discipline of project management.

All lease actions—lease contracts, extensions, holdovers, lease construction—are “projects” and require effective project management to be successful. An enhanced global project management (gPM) practice is a more global, holistic, and sophisticated way for PBS to deliver projects: a “no hand-off” approach that has been requested by customers and lessors. Going forward, gPM is the fabric of the future for GSA and will be a catalyst for true Lease Reform. Its principles, such as upfront project management and communication planning, are central to the success of the project—from how client agency needs and expectations can be achieved through offering innovative client solutions, to new roles played on project teams that include all the disciplines necessary to initiate, plan, execute, track, and achieve project goals. gPM emphasizes the upfront planning and development of a project, and applies success factors that drive superior project delivery with the project manager leading a multi-disciplined team from project initiation through closeout.

FROM SFO TO REQUEST FOR LEASE PROPOSAL (RLP) AND LEASE CONTRACT

For more than 40 years, the core document in GSA’s lease acquisitions has been the Solicitation for Offers (SFO). Traditionally the SFO has served two functions: preaward it specified the requirements for offerors submitting an offer of space, and postaward it became the actual lease contract, legally binding the Government and winning offeror—now the lessor—to its terms.

Drafting the SFO from a standard template with built-in instructions was lengthy and demanding; it did not easily lend itself to tailoring for different types of lease actions; statements of requirements were often duplicated; related elements of several subcomponents such as design, tenant improvements (TI), and monetary considerations were dispersed throughout the document; potential offerors needed to analyze and understand a complicated document just to be able to consider whether to submit a proposal; and ambiguity concerning whether certain provisions governed the solicitation and offeror versus the lease and lessor invited award protests and litigation.

Lease Reform provides new acquisition models for acquiring leaseholds for Federal agencies based on the size and complexity of the lease. These lease models adopt a structure that is new to GSA leasing practice: separating the SFO into a Request for Lease Proposal (RLP) and a Lease Contract. This represents a significant departure from the previous SFO and

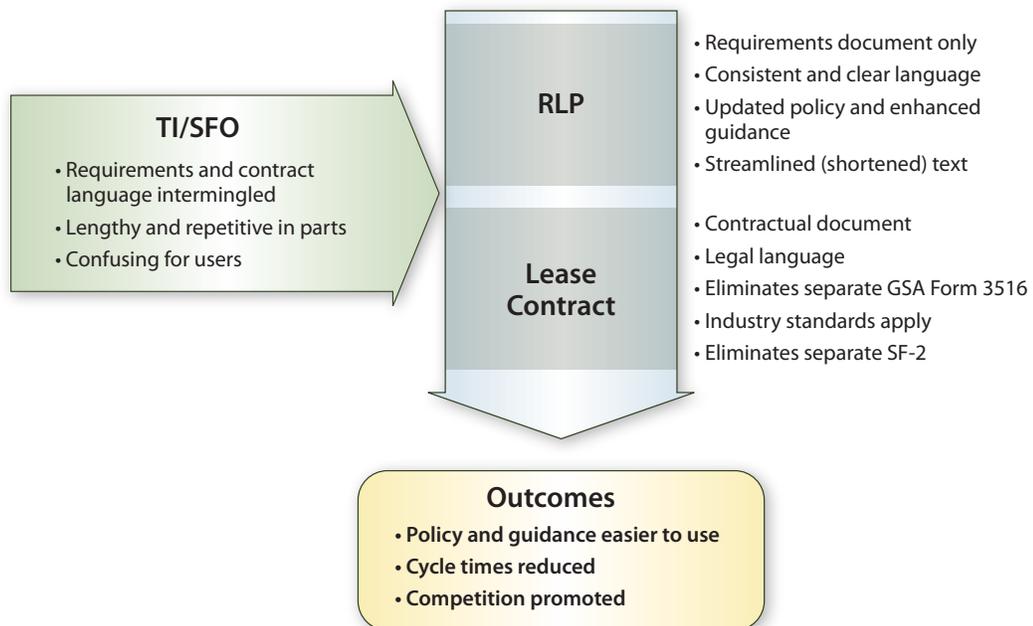
will require a cultural shift for GSA associates, but it mirrors private-sector practice and brings significant advantages:

- It avoids the risk of ambiguity by clearly demarcating between solicitation and lease language.
- It allows a significantly shorter lease document.
- It permits a more market-friendly approach to drafting RLPs.

The new models will also require care in how Lease Contracting Officers customize lease documents for particular procurements. Effective use of this more rational format reduces the risk that offerors and lessors will sign leases without full awareness of all their obligations.

The RLP includes all pertinent preaward information required to conduct the lease acquisition through award of the lease and incorporates GSA Form 3516, Solicitation Provisions. After award of the lease, the RLP is not used to construct the actual Lease Contract and has no force or effect on it; however, the RLP must be retained in the permanent lease file in accordance with the Record Retention Order.

Separating the Solicitation and Lease Contract



ALL LEASE MODEL DOCUMENTS PROVIDE BLUE HIDDEN TEXT INSTRUCTIONS THROUGHOUT FOR COMPLETING THE RLP AND LEASE. IT IS ESSENTIAL FOR REALTY ASSOCIATES TO REFER TO THESE BLUE HIDDEN TEXT INSTRUCTIONS.

The new documents incorporate significant changes in fire protection and life safety, broker commission language for National Broker Contract 2 (NBC2), revised general clauses, evidence of capability to perform, security, and seismic review language, which are discussed in the specific sections of this report. All lease model documents provide blue hidden text instructions throughout for completing the RLP and lease. It is essential for realty associates to refer to these blue hidden text instructions. The SF-2 (U.S. Government Lease for Real Property form) that was originally attached to the SFO to build the lease is now incorporated directly into all lease model contracts. For the simplified lease, all pertinent general clauses are incorporated directly into the lease contract. In addition, a number of general clauses (such as default in delivery, subletting, and fire and casualty damage) have been updated to more closely reflect commercial standard risk allocation approaches that are more economically efficient.

The new documents are the result of extensive input from the Office of General Counsel, the Office of Real Estate Acquisition, Central Office business line experts—from the Offices of Portfolio Management, Client Solutions, the PBS Chief Information Officer, and Facilities Management and Services Programs, to name a few—as well as regional leasing personnel with years of practical experience working with the old lease clauses. Redundant clauses were eliminated or consolidated, and obsolete and confusing language was clarified, resulting in more rationally organized and user-friendly lease documents. These changes benefit not only GSA leasing personnel but also potential lessors who may in the past have been put off by the complexity and risks of leasing space to the Government.

A simple numbering system applies to the new solicitation and lease documents, as shown in the table below. Any form designated R101 is always an RLP, whereas any form designated L201 is always a Lease Contract. Each of those numbers is followed by a letter suffix—A, B, C, or D—to indicate which lease model it applies to. The comparable RLP and lease documents for a succeeding lease are designated R102 and L202.

Lease Model Form Numbers	Description
R101A	Simplified RLP
L201A	Simplified Lease Contract
R101B	Streamlined RLP
L201B	Streamlined Lease Contract
R101C	Standard RLP
L201C	Standard Lease Contract
R101D	On Airport RLP
L201D	On Airport Lease Contract.
R102	Succeeding RLP
L202	Succeeding Lease Contract

Terminology Change

Changes to executed leases will be codified by “Lease Amendments,” which replace Supplemental Lease Agreements and require signatures by both the lessor and Government. RLP amendments are acknowledged by the offeror’s initials.

Lease Term

GSA has traditionally negotiated a 10-year lease term with 5 years firm, providing the Government with termination rights any time after the 5th full year of occupancy, typically upon 90 days’ notice to the lessor. With some minor variation, these terms are present in most GSA leases. Prospectus leases and lease construction leases (typically larger leases) ordinarily have longer firm terms.

These terms are far from what would be considered typical for a private-sector commercial real estate lease. In most markets a standard private-sector lease has a set firm term of 3 to 5 years (longer firm terms are not uncommon, depending on the size and financial outlay of both owner and tenant), and the tenant typically has no termination rights during this period. After the initial firm term of the lease, the tenant typically either signs another long-term lease or renews its existing lease 1 year at a time (often referred to as a “year to year” lease).

GSA leverages its unique position in the market—specifically, the lack of any risk of default and a guarantee of payment—to demand terms that would be impossible to obtain in a normal commercial lease, even for other companies with low default risk. It is well known that GSA’s unilateral termination rights have a cost impact. What is not known is the actual dollar value of this impact and what money might be saved by either reducing or eliminating our termination rights.

GSA is examining the cost impact of termination rights to afford the regions flexibility to examine regional workload, work with the customer, and define terms so as to enable the greatest overall benefits to the Government. Among the options are allowing for longer firm terms beyond 5 years (6, 7, 8, 9, or 10-plus years, not to exceed 20 years firm). These options would enable lessors to arrange better cash flow for financing, GSA to better manage project workload, and customers to lease space according to true need. Under the Simplified Lease Model is used, the standard default for leases with terms of 5 years or less will be firm, with no termination rights. This must be covered with the customer during the requirements development/TMP discussions and reflected in the RLP. The simplified lease model for projects with lease terms exceeding 5 years will be tested with a one-time 90-day termination window after a negotiated number of years (5, 6, 7, or 8, for example). If GSA does not exercise its termination right during the specified “window,” the remainder of the lease term will be firm term. As with any negotiated procurement, Lease Contracting Officers may use their discretion case by case to revise the lease term and termination requirements. However, doing so may weaken the power of this model to reduce project cycle time and generate the potentially lower rental rates that typically come from not requiring a termination right.

Lease Models

Summary

At the end of FY 2010, the GSA lease inventory rose to 191.4 million rentable square feet consisting of 9,285 leases in 8,094 buildings. Lessors received \$5.2 billion in rent payments. The largest share of the inventory by lease count—82 percent—is vested in smaller leases, up to \$500,000 net annual rent (total rent less operating expense rent), yet these leases account for only 30.2 percent of total square footage and 24.4 percent of rent.

Conversely, leases in excess of \$1 million net annual rent represent just 9 percent of the lease count but 56 percent of the square footage and 61 percent of total annual rent.

Leases between \$500,000 and \$1 million net annual rent account for 9 percent of the lease count, just over 13 percent of square footage, and 13 percent of annual rent. It is crucial that customer conversations occur upfront during the TMP process in order for the lease models to provide maximum benefit. GSA and the customer must discuss several critical items, including which procurement model applies to the project at hand and customer roles and responsibilities for the chosen model, including ASR packages and the timing and number of DID submissions.

The lease models, summarized in the following table, are designed to take into account the size and complexity of the transaction and to deploy resources accordingly:

Lease Model	Applicability
Simplified	Security level I–II leases up to SLAT (\$150,000 net average annual rent)
Streamlined	Security level I–III leases up to \$500,000 net annual rent
Succeeding and Superseding	Stay-in-place situations
Standard	Replaces TI SFO for all security and rent levels
On-Airport	Addresses specific challenges dealing with local governments and airport authorities for leases at airport premises

SIMPLIFIED LEASE MODEL

Summary

The simplified lease model provides a procurement document that is right-sized for small, security level I–II leases that will increase productivity by improving cycle time and reducing the necessity for many extensions and holdovers. Taking these leases through the same steps that should typically be reserved for larger leases ends up costing more money, time, and resources and drives excessive use of extensions and holdovers. Under this model, offerors will submit lease proposals based on Agency-Specific Requirements (ASR), bypassing

time-consuming postaward TI negotiations that often translate into construction and build-out delays, sometimes putting the agency into a situation of paying double rent until these postaward disputes are resolved.

The simplified lease model was developed to address a longstanding request from clients and the private sector for a quick and efficient method to process smaller lease procurements in light of the limited financial and mission risk presented by smaller leases. It will allow more resources to be focused on the larger, more complex leases that have a greater financial impact on the GSA portfolio. Leases under the simplified lease acquisition threshold (SLAT)—\$150,000 net average annual rent (excluding operating expenses)—represent more than one-third of our annual lease actions, yet they account for only 5 percent of net annual rent and 7 percent of the leased square footage. Before development of the simplified lease model, no fully defined procurement process existed for simplified leasing other than the Short Form 3626. However, few Lease Contracting Officers took advantage of Form 3626, citing dissatisfaction with its content and provisions. As a consequence, the Form 3626 was built into a full-blown solicitation, incorporating all the steps that large, complex leases require. Form 3626 is appropriately used for parking leases.

Changes to the simplified lease contract language must be memorialized in a lease amendment. This will allow all parties to be confident that after they become familiar with the lease it will remain the same for each solicitation. Paragraphs relating to shell and TI for specific areas of construction are consolidated in one area of the document rather than separated into different areas. A cost breakdown of shell and TI items must be provided in Form 1364A-1, which incorporates the pricing policy shell/TI chart for reference.

THE UPFRONT PRICING OF TENANT IMPROVEMENTS IS A KEY PART OF THE SIMPLIFIED LEASE MODEL.

Form 1364A, the Proposal to Lease Space, has been redesigned to capture only information required for a simplified lease proposal. It is designed to be incorporated into the lease itself as Exhibit A and attached to the lease. Additional building, operating cost, and property tax information that is not carried over to the lease is captured in Form 1364A-1.

The upfront pricing of tenant improvements is a key part of the simplified lease model. Establishing a firm fixed price at lease award limits postaward surprises for offerors' financing or agency budgets, and it removes the financial and administrative burden to GSA and the customer of providing multiple reimbursable work authorizations (RWAs) throughout or after the project.

Annual operating cost escalations and real estate tax adjustments, often involving only a few dollars for small and short-term leases, entail the same steps and amount of administrative time that are required for sizeable escalations in prospectus-level leases. The simplified lease model was originally based on negotiating a fixed rental rate that provides for fixed real estate taxes and operating cost components throughout the lease term to ease the administrative burden of making annual adjustments and free up resources. (Operating expense and tax information is required from the offeror for evaluation and reporting purposes and is

captured in Form 1364A-1, which does not become part of the lease.) In response to feedback, optional paragraphs in the RLP can provide for escalations when prevailing market practice, conditions, or lease terms require tax or operating cost escalations.

Simplified lease model documents and guidance were formally rolled out in October 2010 and are posted on PR InSite at http://pbsportal.pbs.gsa.gov:7777/pls/portal/docs/PAGE/PQI_DOCUMENTS/PR/PR_DOCUMENTS_FOR_EDITORS/RE-ENUPDATES.html.

Final documents will be available to the public at www.gsa.gov/portal/content/211925.

Implementation components for the simplified lease have been revised to incorporate regional comments, lessons learned, and feedback. The guidance and comprehensive comments are incorporated into the Leasing Desk Guide (LDG), Chapter 3, which is undergoing review and issuance.

The Procurement Management Reviews (PMRs) for 2011 and forward will appraise regional application of Lease Reform acquisition models and process improvements.

THE PROCUREMENT
MANAGEMENT
REVIEWS FOR 2011
AND FORWARD WILL
APPRAISE REGIONAL
APPLICATION OF
LEASE REFORM
ACQUISITION MODELS
AND PROCESS
IMPROVEMENTS.

Simplified Lease Model: Key Features

1. Applies to leases under the SLAT, currently \$150,000 net average annual rent.
2. Short Form 3626 for SLAT leases and Standard Form 2 (SF-2) replaced with the RLP form (R101A) and the Lease Contract form (L201A).
3. Applicable to smaller, less complicated, ISC security levels I and II lease actions.
4. Risk-averse language in general clauses for fire and casualty, sublet and assignment, and termination for default have been revised to provide more protections.
5. Results in a turnkey lease with a firm fixed price that incorporates TI pricing into the lease proposal and provides an option to negotiate a fixed rate with no tax or Consumer Price Index (CPI) annual escalations or adjustments; however, optional paragraphs in the RLP allow for annual CPI escalations and tax adjustments based on market conditions and preferences.
6. May award a lease based on initial offers at the discretion of the Lease Contracting Officer (“one and done”).
7. Comprehensive market survey establishes a clear set of go/no-go criteria and requires participation by a customer representative capable of addressing technical criteria and holding agency approval authority.

8. Offerors may demonstrate fire protection and life safety (FPLS) compliance as stated in the lease with a certificate of occupancy issued by the local jurisdiction, providing the certificate of occupancy demonstrates compliance with the International Building Code (IBC) and the building meets the Fire Act provisions for 6th floor or over if over 35,000 square feet cumulative space, meets the GSA Fire Alarm requirements, and does not have external fire escapes or interlocking/scissor stairs. A PBS FPLS review is required only if these conditions are not met or the Lease Contracting Officer determines the review to be necessary.
9. Receipt of ASR package and agency concurrence to proceed satisfies the Transaction Management Playbook (TMP) requirements for simplified leases, as defined in the LDG.
10. In order for this model to provide the maximum benefit, timely development of design intent documents (DIDs) is mandated—within 14 days of award (revisions to the submittal requirement must be approved by the Lease Contracting Officer). The agency agrees through the rules of engagement, which are to be specified in an “optional” OA clause, to finalize the DIDs with no more than two revisions and to keep any review periods to no more than 10 days.
11. GSA establishes detailed requirements with the customer during requirements development and the TMP process. Therefore, although the Leasing Specialists send RLPs to customers for their records, they are not required to obtain the customer’s written approval for the RLP before proceeding with RLP issuance.

Key Benefits

The simplified lease model can be applied to a large number of lease actions. At the end of FY 2010, 46 percent of the leases in GSA’s inventory were under the SLAT.

Eliminating postaward negotiations for tenant improvements mitigates construction and buildout delays, resulting in reduced lease cycle time.

Customer: The Rules of Engagement

The Rules of Engagement Clause for the Occupancy Agreement (the “Required Terms for Simplified Lease Model Occupancies” as it appears in the OA Tool) is a written agreement of expectations and responsibilities between GSA and the customer. This clause has been prepared and is available for selection in the OA Tool. The success of the simplified lease model requires agency engagement during requirements development and a complete ASR package before GSA begins the solicitation process. The shortened time line is based on having authorized agency decision makers participate in the market survey in order to approve buildings for solicitation and on limiting DID review cycles to the initial DID submission and a maximum of two onboard reviews. Postaward scope changes are a significant factor in project delays. Change requests arising postaward that affect time or cost will be handled post occupancy and paid for by RWA.

Implementation Components

Simplified Lease Components
Simplified Lease Model Guidance: LDG Chapter 3, Simplified Leases
Simplified RLP GSA Form R101A
Simplified Lease Contract GSA Form L201A
Simplified Proposal to Lease Space GSA Form 1364A
Simplified Proposal to Lease Space GSA Form 1364A example
Simplified Lease Proposal Data GSA Form 1364A-1
Scoring Memorandum for Simplified Leases
Rules of Engagement Clause for the Occupancy Agreement (“Required Terms for Simplified Lease Model Occupancies” in the OA Tool)

STREAMLINED LEASE MODEL

Summary

The streamlined lease allows a more efficient process for small to mid-size leases. It is based on the results of a series of focused meetings and detailed discussions with a variety of stakeholders—including agencies, lessors, developers, real estate brokers, members of the lending community, and GSA leasing personnel from around the country. It provides flexibility and reduces lease cycle time for small to mid-size Security Level I, II, and III lease procurements up to \$500,000 net annual rent, and it offers an alternative for simplified leases that are above Security Level II or require more extensive tenant alterations. This model fosters a more comprehensive requirements development process by encouraging GSA and agency collaboration at the onset of the project.

The streamlined lease model was built on the success of the Census 2010 initiative. More than 500 turnkey leases were secured for Census 2010 using a DID prototype presenting an optimal space layout. A DID prototype gives offerors the information they need to develop firm fixed pricing for a buildout that conforms to the required space type and size. Supplying a DID prototype with the solicitation makes it easier for offerors to develop turnkey lease pricing. In the absence of a nationally approved ASR, a comprehensive ASR must be developed during the TMP process before the solicitation process begins.

The model allows the Lease Contracting Officer flexibility in how TI is approached based on the level of presolicitation customer requirements development. By receiving a fully defined ASR package before beginning the solicitation process, offerors can submit proposals based on the customer’s full requirements, bypassing time-consuming postaward negotiations that often translate into construction and buildout delays, and the existing layout of proposed space is utilized as much as possible to realize cost savings. This approach does not provide for a TI allowance: Offerors price the full requirements package in lease proposals, and the final buildout cost is negotiated preaward, which allows a firm fixed price to be established at lease award. If it is not possible to establish a full ASR package before beginning the solicitation process, the RLP will include a TI allowance, and the final pricing is to be negotiated postaward based on the customer’s requirements.

In both TI approaches, desired changes that are identified during construction are handled post occupancy via RWA in order to maintain the schedule and cost. Change orders that result in postaward delays are mitigated, customers benefit from having a date certain for occupancy, and lessors benefit from having a date certain for rent start.

Streamlined lease pilots being conducted in each region will provide input to refine the model as appropriate.

Streamlined Lease Model: Key Features

1. Applicable to security levels I, II, and III up to \$500,000 net average annual rent. Targets straightforward office buildings or general office/warehouse/storage requirements that fall outside the criteria for a simplified lease and below the criteria for a standard lease.
2. Requires a comprehensive market survey with an offeror representative capable of addressing technical areas present, as well as an attending agency representative with approving authority.
3. Offers flexibility with postaward design requirements and TI negotiations by allowing alternative approaches to TI. Encourages use of existing space configurations where possible.
4. The agency and lessor along with the Leasing Specialist or Lease Contracting Officer commit to participating in a 1-day workshop to develop working DIDs. The Lease Contracting Officer must schedule this workshop immediately after lease award. The agency agrees through the rules of engagement and as addressed in the OA Optional Rules of Engagement Clause to finalize the initial DID submission with no more than two on-board reviews. Lease Contracting Officers can use their discretion to increase the time allotted to the DID workshop to a maximum of 3 days as necessary on a case-by case basis, in keeping with the size and complexity of the requirements. Anything more than 3 days could delay the streamlined schedule.

Key Benefits

The streamlined lease model reduces the time required for postaward design, reduces the number of change orders, and lowers the risk of cost increases.

This model eases the administrative burden through efficiencies in modifications to the review process and approval protocols.

Implementation Components

Streamlined Lease Components
Streamlined Lease Model Guidance
Streamlined RLP GSA Form R101B
Streamlined Lease Contract GSA Form L201B
Streamlined Proposal to Lease Space GSA Form 1364B
Succeeding and Superseding Decision Tool

STANDARD LEASE MODEL

Summary

The standard RLP and lease replace GSA’s legacy 40-year-old TI/SFO and apply to the lion’s share of the square footage and rental value of GSA’s leased assets. The model was designated as “standard” because it can be used without restriction on any GSA lease procurement, large or small, regardless of dollar value, square footage, or security level. It is ideally suited for larger and more complicated lease procurements where the dollar value and potential complexity of the tenant improvement requirements do not readily lend themselves to simplified or streamlined leases.

The RLP sets the Government’s expectations and contains the solicitation provisions and instructions on how to offer. Solicitation improvements are present in the RLP structure, which allows offerors to quickly understand the requirements and costs of submitting a proposal. It is divided into the following five components, which progress through the elements of the acquisition in a simple format:

- Statement of Requirements
- Minimum Requirements for Eligibility for Award
- How to Offer
- Basis of Award
- Additional Requirements.

Each subcomponent—such as design, construction, and other postaward activities, general architectural and engineering requirements, tenant improvement, and monetary considerations—is in one place rather than dispersed throughout the document.

Other major changes include incorporating TI/Post-Award revisions and clarifications, enhanced blue text instructions, a reorganized and improved table of contents, NBC2 broker commission information, revised general clauses, improved fire life safety review, and clarified seismic requirements. Reengineering the TI/Post-Award process was obviously process-oriented, but implementing that and other recommendations necessitated revising the GSA lease documents. The approach to developing the standard lease model documents was comprehensive and went far beyond simply revising the TI clauses; indeed, the development of this model’s documents (the RLP, lease, and 1364C) drove many of the document improvements adopted for all lease models.

The lease components have been organized into sections of related material for ease of review and a better understanding of the lease requirements and documents. Required SF-2 components have been incorporated directly into the Lease Contract.

Standard Lease Model: Key Features

1. Applicable for all security levels and for lease actions not accommodated by other lease models.
2. The RLP and Lease Contract forms replace the SFO.
 - a. RLP provides solicitation and how-to-offer information; highlights minimum eligibility requirements in one section, simplifying the process for offerors.
 - b. Lease Contract incorporates paragraphs from the SF-2 and includes all contractual and enforceable aspects of the contract.
 - c. Eliminates GSA Form 3516, Solicitation Provisions, from the offer package by incorporating the provisions into the RLP.
 - d. Clarifies lease term requirements; clarifies language relating to lease term commencement and lease award dates; removes “lease effective date” and “lease execution,” which cause confusion.
 - e. Establishes guidance for determining square footage requirement (minimum and maximum range) in the RLP; standardizes regional practices by adopting uniform, consistent space measurement terminology and advertising for ABOA square feet (the space in which the tenant houses furniture and personnel); and uses the building common area factor to determine building space efficiency.
 - f. Streamlines the offer process by removing pre-negotiated general conditions and general contractor fees, which were providing little value.
 - g. Removes “Green Lease” labels and integrates related paragraphs into the body of the RLP and lease, reflecting GSA’s intent to integrate sustainability into business practices.

Key Benefits

The standard lease model features increased efficiencies compared with the TI SFO. The size and content of the RLP are more manageable, and the document is reorganized for better flow and comprehension, consistent with industry standards. Reducing the redundancies, the number and complexity of clauses, and the uncertainty for offerors, as well as standardizing regional practices, increases the comprehensibility of the RLP document to promote increased competition and reduce the potential for protests.

Implementation Components

Standard Lease Components
Standard Lease Model Guidance
Standard RLP GSA Form R101C
Standard Lease Contract GSA Form L201C
Standard Proposal to Lease Space GSA Form 1364C
Present Value Analysis Directions
New, Replacement, Consolidation Housing Plan Prospectus Example
Replacement Lease Prospectus Example #1
Replacement Lease Prospectus Example #2
Consolidation Lease Prospectus Example #1
Consolidation Lease Prospectus Example #2
Lease Extension Prospectus Example

SUCCEEDING AND SUPERSEDING LEASES

Summary

In FY 2010, 36 percent of GSA lease actions (excluding extensions and holdovers) were succeeding or superseding leases negotiated in the same space. The succeeding/superseding lease model is a solution for situations where it is in the best interest of the Government to “stay in place” and a full and open competition would impose an unnecessary burden on the market and the Government. This model is appropriate for prospectus-level leases, but they are not exempt from the requirements of congressional authorization and appropriation.

Guidance issued in October 2010 instructed Lease Contracting Officers to use the succeeding/superseding lease model for all eligible lease actions, as long as doing so is justified as the appropriate course of action and meets customer needs. It is applicable when GSA intends to stay in place, only minimal or no TIs are required, and only after a thorough analysis of current market and asking rents determines that relocating to new space would not be cost-effective. The model, which eliminates most TI offer requirements as well as unnecessary submittal documents, is not appropriate when contemplating a significant change in square footage or extensive tenant improvements.

Implementation guidance includes a very detailed cost-benefit analysis, the Succeeding/Superseding Decision Tool, which allows prudent business decisions concerning whether this is the right model for the acquisition. The tool calculates a cost benefit analysis using manual input of rental rates and other key assumptions for the incumbent and the lowest advertised possible competitor. Market data and lease information are accessed so relevant decision information is available in one file and can be assessed for future requirements, such as the Lease Cost to Market performance measure. Tabs can be added to maintain additional data for the file record.

Coordination is required to update STAR data monthly and REIS data quarterly, and to determine how to address possible regional differences in incumbents' costs for refreshing flooring and painting, physical move costs, phones, furniture, etc. A drop-down menu containing a table populated with regional costs will provide that information and will be updated periodically. Although not required, using the decision tool is highly recommended to take full advantage of this lease model.

Succeeding and Superseding Leases: Key Features

1. Sole-source procurement applicable for any security level.
2. Not intended to be used solely because a customer does not have available funds to cover move costs or for leases that require significant alterations and a full TI allowance; any TI, such as paint, carpet replacement, and minor changes within the existing configuration (no changes in square feet), are identified in the RLP and priced in the rental rate (turnkey).
3. User-friendly documents are organized for better flow and comprehension; RLP provides for acceptance of space as is and eliminates inapplicable clauses and paragraphs, such as:
 - a. Location or area of consideration
 - b. Present value and award determination
 - c. Technical specifications (ceiling height, fixture schedule).
4. Use of lessor's annual cost statement (GSA Form 1217) is optional.
5. Succeeding/Superseding Decision Tool thoroughly analyzes procurement strategy decision-making criteria, including current lease details, financial implications of relocation, market conditions, tenant satisfaction, and lessor past performance.
6. Template for market survey analysis and negotiation objectives combines two documents into one.
 - a. Survey must include rental rate and other building data as they relate to the agency's requirement.
 - b. Although a physical market survey is not required, the Leasing Specialist or NBC broker should still visit the current site as part of due diligence.
7. GSA Form 1364-S, Offer to Lease Space (which replaces GSA Form 1364) allows for quick and rapid negotiations. Current rates and lease information, which are used as a reference point for negotiations for sole-source award, are documented on the form before providing it to the current lessor for completion.

8. A record of the expressions of interest and the quotes, if any, track negotiation progress and compare the offer against RLP requirements, highlighting deficiencies and technical noncompliance.
9. In accordance with current pricing policy, the Regional Portfolio Director can approve proceeding with award if GSA has not received a signed Occupancy Agreement (OA) before lease expiration.

Key Benefits

The succeeding/superseding lease model offers a mid- to long-term stay-in-place option. It reduces the overall cycle time, thereby lowering the risk of holdovers and extensions.

Customer Connection

This model enables GSA to help the client agency meet its workspace needs without going through a full-scale lease acquisition process when it is in the best interests of the Government to stay in place.

Implementation Components

Succeeding and Superseding Lease Components
Succeeding/Superseding Lease Guidance
Succeeding/Superseding RLP GSA Form R102
Succeeding/Superseding Lease GSA Form L202
Succeeding/Superseding Decision Tool
Succeeding/Superseding Lease Checklist
Succeeding/Superseding Leasefile Checklist Guidance
Succeeding Lease Prospectus Example
Superseding Lease Prospectus Example
Superseding Lease Prospectus Example with Lease Alterations
Superseding/Succeeding Lease Housing Plan Prospectus Example

EXPEDITED ON-AIRPORT LEASE ACQUISITION MODEL

Summary

The expedited on-airport lease model applies to on-airport leases when the airport does not provide tenant improvements or no tenant improvements are required for the Transportation Security Administration (TSA) or other on-airport agencies. The model accommodates the special circumstances of on-airport leases, including increasing lease terms from 5 years to longer terms as needed (not to exceed GSA's 20 year statutory limit); addresses RWA buy-down restrictions where tenant improvement costs are not funded by airports; interprets scoring policy for this type of transaction, recognizing that airports are typically located outside of central business areas requirements; and takes advantage of national indefinite

delivery/indefinite quantity (IDIQ) contracts for space planning and design-build services. Further research is required to clarify National Environmental Protection Act and floodplain processes and historical preservation requirements. This approach reduces cycle times both for succeeding leases with no alterations and for new or succeeding leases with significant buildout or alterations.

On-Airport Lease Acquisition Model: Key Features

- Offers a streamlined lease acquisition process for on-airport leases when the airport will not provide tenant improvements.
- A justification for other than full and open competition certifying that there are no alternatives to this location eliminates going through the motions of competition.
- Language in GSA Forms 3517 and 3518 is tailored for these procurements.
- Templates, waivers, and a standard line of approvals eliminate duplicative work for each project.
- Renewal options will reduce succeeding procurement time.
- Uses national IDIQ contracts to facilitate buildout design and construction and eliminate delays typically encountered in individual procurements for these services.

Key Benefits

The on-airport lease model streamlines the current lease acquisition process for these types of leases and reduces overall procurement cycle time. For example, GSA will be able to manage 350 TSA on-airport lease expirations in 2011 quickly and with longer term replacement leases, thus minimizing the cost and administrative work of holdovers and extensions.

This model uses a streamlined review process for on-airport leases and permits the Lease Contracting Officer to award a lease based on initial offers. It minimizes Government financial risk with “escape” clauses in the event that Government agency services are no longer required on airport. GSA and client agencies benefit from more reliable and consistent lease costs over longer durations.

Customer Connection

This model was developed and has been piloted in Region 9. In order to finalize a new lease before lease expiration, customer requirements and requested alterations must be received a minimum of 27 months before the lease expires, and funding must be committed to GSA before the RLP is sent to the airport.

Budget Scoring Treatment

Confirming operating lease treatment is difficult with respect to some of our client agencies. For example, for agencies such as TSA, it is difficult to numerically score the project, as the rent charged bears no relationship to the construction cost of the space the agency would occupy. The Leasing Specialist and asset manager must determine whether the rent proposed for space at an airport is reasonable compared to other rents charged at the airport. If other tenants within the airport are paying similar rental rates, the lease can be determined to be an operating lease by confirming that it meets all of the criteria detailed in Appendix B to OMB Circular No. A-11. The lease does not need to meet the “90 percent” calculation criterion (the present value of the minimum lease payments over the life of the lease does not exceed 90 percent of the fair market value of the asset at the beginning of the lease term). The Office of Portfolio Management is currently working to create a Determination of Lease Treatment for Unique Agency/Space Leases Form (similar to that for Simplified Leases) to work with this policy.

Implementation Components

On-Airport Lease Components
On-Airport Lease Guidance
Automatic CATEX Determination Form
On-Airport Lease File Checklist
Example Blanket Flood Plain Document (TSA)
Modified Short Form Lease Approval Memo 07-28-10 (TSA)
On-Airport RLP GSA Form R101D
On-Airport Lease GSA Form L201D
On-Airport Requirements Questionnaire
Lease Re-Engineering Confirmation to GSA 12-06-10 (TSA)
Revised GSA Form 3517
Revised GSA Form 3518

“The industry folks and a few of the agencies I have already spoken with, specifically realty personnel within the USDA, NOAA, DARPA, and SSA are very excited about the adopted changes in the leasing process! Great work! Very encouraging. I just finished reading the entire document end-to-end. It reads well; very informative and to the point. I especially like the fact that this is a document that states it’s for use NOW and is required in all cases that meet the criteria. Well done!”

—*Theo Bell, Sr.*
Managing Director,
Newmark Knight Frank, Washington, DC
(Commenting on release of Implementation Update 2 in October 2010)

Process Improvements

ACQUISITION PLAN

Summary

The Acquisition Plan captures the primary elements for a lease acquisition. It sets the direction the procurement will follow and lays out the fundamental strategy, approach, and pathway for each lease action. Thorough plan preparation, with participation of the respective stakeholders, fosters a common understanding of the essence of what will be done and sharpens expectations for the lease outcome.

Over time, acquisition planning across the regions has evolved in various forms using a multitude of different requirements and approval levels. However, a new checkbox Acquisition Plan template must now be used for all applicable procurements. It supports all of the leasing models and accommodates the unique requirements of each, such as different milestones and levels of detail. Signatures are kept to a minimum.

Acquisition Plans are intended to capture the acquisition strategy. They are no longer to be treated as “living” documents that require updating throughout the acquisition process, and are not to be used for tracking project progress.

Embracing gPM principles, the Acquisition Plan has been combined with the communication and project management plan (PMP). Leasing Specialists must complete the Acquisition Plan regardless of whether they serve as the gPM or not (brokers are not to complete the acquisition plan). Blue hidden text instructions embedded in the template direct users to required sections relevant to their procurement. Future improvements include developing an Acquisition Plan “wizard” in eLease to facilitate quicker form completion and reduce the size of the final printed plan.

The combined template for the Acquisition and Project Management Plans is required for all Acquisition Plans, regardless of who acts in the role of project manager. If that role is entrusted to the Leasing Specialist, then this combined template serves as both the Acquisition and Project Management Plans, and a separate PMP is not needed.

However, for projects where a separate PMP is warranted due to complexity, or where a different individual (a project manager) prepares it, then the combined template serves only for preparing the Acquisition Plan. The new template is not meant to dictate the structure of a PMP for project managers, nor are they meant to prepare Acquisition Plans.

Acquisition Plan: Key Features and Benefits

The new Acquisition Plan template encourages a standard and consistent methodology for preparing acquisition plans, making use of a checkbox format in lieu of freeform narrative

text. It is flexible and can be used for all procurement types and across all lease models. Using the template expedites the review and approval of regional acquisition plans.

The template captures information relevant to strategic leasehold acquisition decisions. Guidance clarifies that the Acquisition Plan is to be used only as a planning tool, not to track or revisit actual procurement events. Updates to the plan are required only for material changes affecting acquisition strategy, not as procurement progresses.

Some important features have not changed since the release of Implementation Update 2 in October 2010:

- Approval thresholds remain the same, but they are now more clearly defined.
- The plan must be approved before the RLP can be issued.

Implementation Components

Acquisition Plan Components
Acquisition Plan & Project Management Plan Combined Template
Acquisition Plan & Project Management Plan Combined Template Guidance

FEDBIZOPPS ADVERTISEMENT AND PROCUREMENT SUMMARY

Summary

An advertisement to be used for all Federal Business Opportunities (FedBizOpps, or FBO) space advertisements provides a consistent format and content. This makes GSA's leasing advertisements stand out and allows potential offerors to ascertain essential project information from each ad placed. It will also help potential offerors to determine their level of interest, no matter which region or field office is advertising.

The Procurement Summary page must be affixed to every RLP, regardless of the size of the solicitation, so that potential lessors can quickly determine their level of interest without studying an extensive solicitation.

Since being rolled out in July 2010, the FedBizOpps advertisement and the Procurement Summary have been incorporated into a single document for simplicity and consistency. The template is currently available as a Word document (cut and paste into the open text box within the FedBizOpps Web site where the advertisement information is usually inserted). An FY 2011 goal is for GSA/PBS to work with the FBO program management office to approve making the ad template available online in FBO for all agencies Governmentwide.

FBO (FedBizOpps.gov)/Procurement Summary Page: Key Features and Benefits

1. To be used for all procurements; the requirement has been in force since Implementation Update 1 was issued in July 2010. The template has been incorporated into eLease version 4.0.
2. Procurement summary page gives the market a quick “at a glance” view of what the Government is seeking to provide consistency in our ads nationwide.
3. Attach the Procurement Summary page to each and every RLP/lease package that goes out for solicitation.
4. When advertising on FedBizOpps.gov, fill out the information on the Procurement Summary page, and cut and paste it into the text box of the FBO page.
5. Working with the Federal Acquisition Service (FAS) to have the ad included permanently in FBO.

Guidance

- To gain national consistency, alter the template only if required by something specific or critical to your project.
- Complete the Procurement Summary page based on the agency’s requirements, print, and attach to the front of the RLP package that will go out to potential offerors. Upload the advertisement to the FedBizOpps Web site

Implementation Components

FedBizOpps Ad and Procurement Summary Components
FedBizOpps Advertisement and Procurement Summary

EXPEDITED FIRE PROTECTION AND LIFE SAFETY REVIEW

Summary

GSA lease acquisitions apply State and local code requirements as well as GSA FPLS requirements to leased spaces. The FPLS review process applies to all lease transactions regardless of lease area, and to construction and renovation in both new and existing leased space. GSA's internal review process duplicates the code review that local authorities perform for buildings that receive a local certificate of occupancy complying with any edition of the International Building Code, when a review confirms that it meets certain GSA requirements.

Criteria for certificates of occupancy issued by local authorities, especially those for buildings constructed according to the IBC, generally mirror GSA FPLS requirements. The IBC was initially released in 2000 and is currently adopted by all major state and local jurisdictions in the United States except the city of Chicago.

GSA will now take advantage of private-sector practice to allow the use of local government-issued certificates of occupancy in place of GSA in-house FPLS reviews for all leases of any size in buildings meeting the requirements in the IBC, providing the space meets the Fire Act provisions for the 6th floor or over if over 35,000 square feet cumulative space, certain GSA-specific criteria for fire sprinkler systems are met, and fire alarm systems are installed. Open fire escapes or interlocking/scissor stairs may not be utilized. GSA Leasing Specialists will screen out non-compliant buildings that require GSA fire safety review early in the leasing process. Buildings meeting the initial screening criteria that have a certificate of occupancy issued under the IBC will be accepted without further GSA FPLS review (see the comprehensive "GSA FPLS Review Process Flow Chart" later in this section). Buildings that meet the initial screening criteria but do not have a certificate of occupancy issued under the IBC will require further GSA FPLS review. This process applies to construction and renovation in existing buildings.

GSA FPLS REVIEW
IS NO LONGER
REQUIRED FOR
SPACE UNDER
10,000 SQUARE
FEET ON THE
FIRST FLOOR.

In addition, no GSA FPLS review is required for leased space under 10,000 square feet on the first floor, as these spaces generally do not pose a risk and the additional scrutiny is unnecessary.

This streamlined review process will free GSA's fire protection engineers to concentrate on leases in older buildings constructed before the adoption of the IBC, which are more likely to have FPLS concerns, thereby significantly reducing cycle time for most leases. The evaluation process will be further streamlined by introducing simpler forms and reducing the turnaround time for in-house FPLS review by GSA fire protection engineers.

Highlights of this review process are summarized below.

Expedited FPLS Review: Key Features and Benefits

The expedited FPLS review process verifies compliance based on (1) a building certificate of occupancy obtained from the local code authority under any edition of the IBC and (2) compliance with GSA-specific FPLS requirements. This eliminates redundant GSA review of requirements addressed by the IBC.

GSA has specific requirements for fire sprinkler systems, fire alarm systems, and the use of open fire escapes and interlocking/scissor stairs. The comprehensive flow chart (below) will help realty professionals validate building compliance. (The chart is also available in electronic form in the file named “GSA FPLS Review Process Flow Chart” in the component documents for this revised process.)

Objective

The objective of this policy is to expedite lease delivery while maintaining safety by eliminating redundant internal GSA FPLS reviews when buildings demonstrate that they meet GSA-specific requirements and have a local certificate of occupancy issued under any edition of the IBC. Buildings that do not meet these criteria will be subject to a GSA FPLS review to identify areas that must be brought into compliance in order to be considered for a lease award.

If a review is required, the turnaround time for the review has been shortened. The responsible GSA fire protection engineer will complete the review in 5 business days after receiving a complete review package from the GSA Leasing Specialist. Additional time for review may be granted for large, complex leases. Though this is the standard process, Lease Contracting Officers (at their discretion) may request a GSA FPLS review at any time.

FPLS Elements for the Market Survey Process

The market survey form has been updated to identify proposed buildings that already comply with any edition of the IBC (or that were renovated under those standards), in addition to identifying other existing FPLS features. If the offeror can submit a building certificate of occupancy issued under the IBC and the space meets the additional GSA FPLS criteria set forth in the review process flow chart, no further GSA FPLS review is necessary.

The following are GSA-specific FPLS requirements:

- To verify compliance with GSA-specific requirements, the market survey form captures the following: the building height in stories and feet; the number of stories of the building above the street floor; the number of stories of the building below the street floor; the floor or floors on which the offered space is located; whether the building is protected throughout by an automatic fire sprinkler system; the floors that are protected by automatic fire sprinklers, if the building is not protected throughout by such a system; whether a fire alarm system is installed in the building, and whether the fire alarm control unit is more than 25 year old; and whether the building contains either a fire escape or an interlocking/scissor stair.

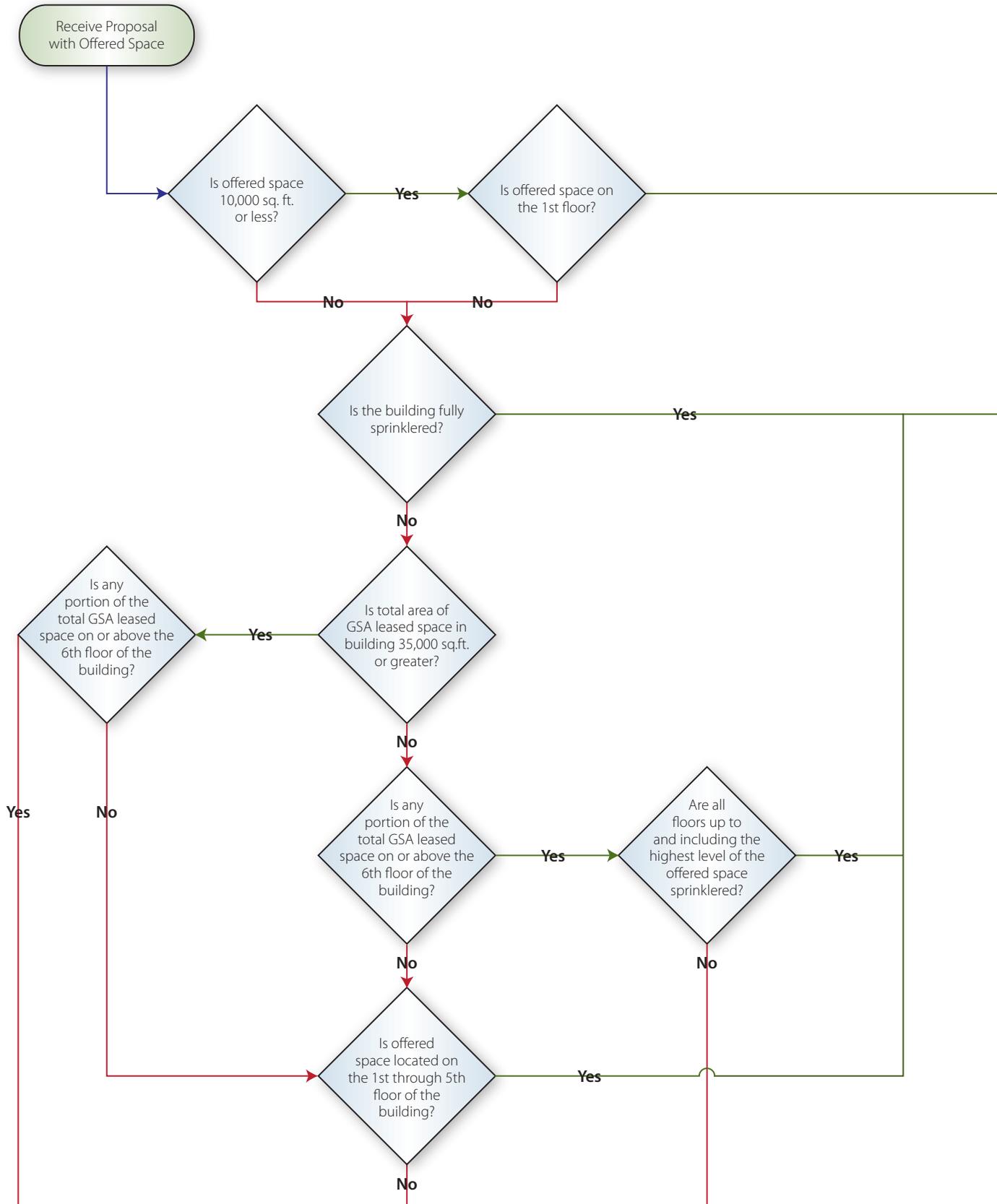
- A lease may not be awarded if any of the following conditions exist:
 - » The floor or floors where the offered space is located have only one exit stair.
 - » A fire escape where offered space is located is provided as one of the required means of egress.
 - » An interlocking/scissor stair is the only exit stair on the floor where offered space is located.
 - » The offered space is below grade, and the space below grade is not protected by automatic fire sprinklers.
 - » The offered space is located on the 6th floor or higher, and the building up to the highest Government occupancy is not protected by an automatic fire sprinkler system.
 - » The offered space is located on the 3rd floor or higher, and a fire alarm system is not installed in the building.
 - » A fire alarm system is installed in the building, and the fire alarm control unit is more than 25 years old.

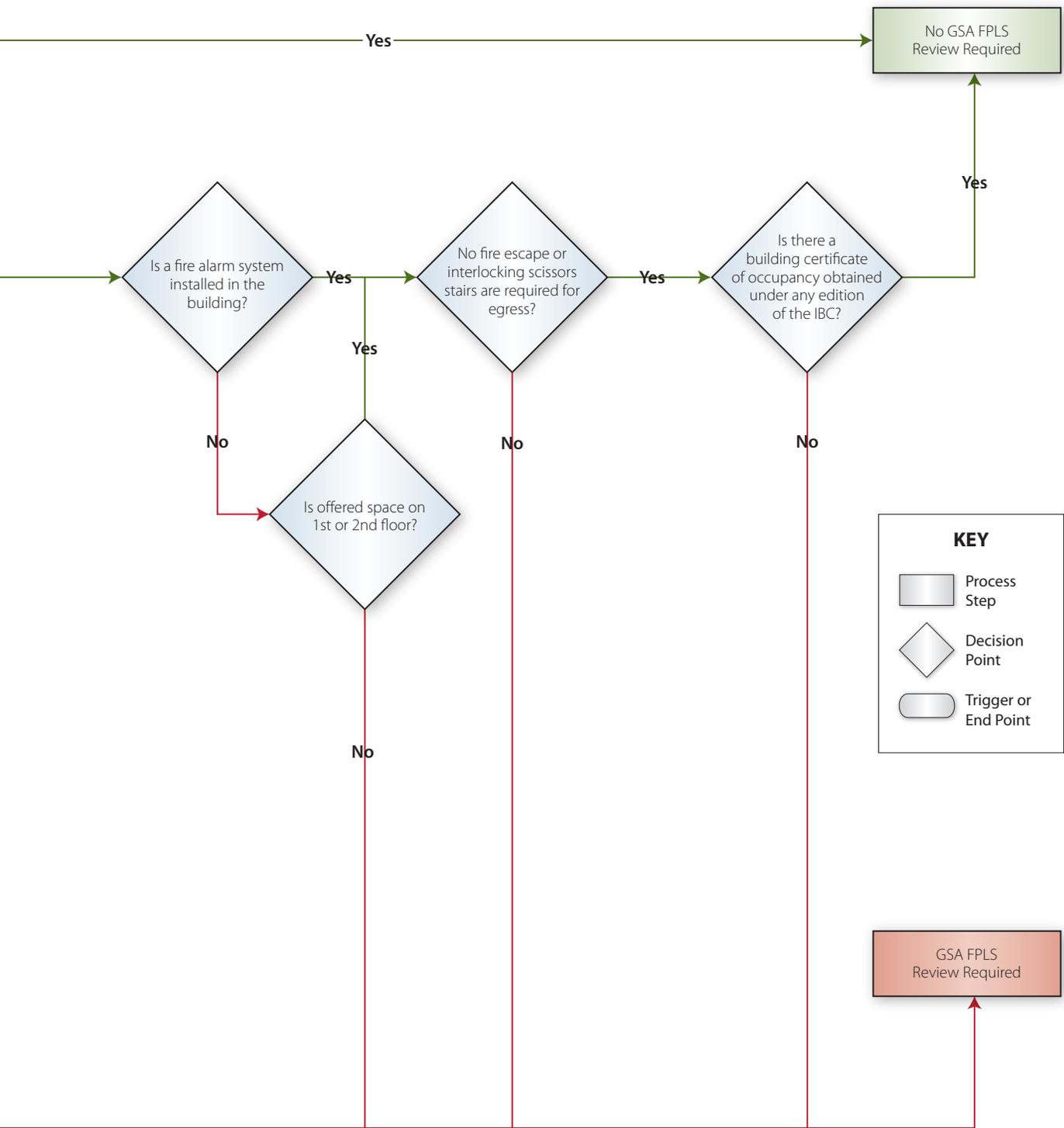
FPLS Elements for the Procurement Process

Follow the “GSA FPLS Review Process Flow Chart,” based on the size of the offered space, its location, automatic fire sprinkler protection, and whether the building has a certificate of occupancy obtained under any edition of the IBC.

- For offered space 10,000 square feet or less on the first floor of a building:
 - No GSA FPLS review is required.
- For offered space with an IBC-compliant building certificate of occupancy:
 - » The offeror must submit a certificate of occupancy obtained under any edition of the IBC.
 - » The offeror’s response to the RLP must state that the offered space complies with GSA-specific FPLS requirements as stated in “FPLS Elements for the Market Survey Process” above.
 - » Follow the “GSA FPLS Review Process Flow Chart” to determine the need for review.
- For offered space not meeting the criteria in the first bullet item above and without an IBC-compliant building certificate of occupancy:
 - » FPLS review is required.

GSA FPLS Review Process Flow Chart





GSA In-House Fire Protection and Life Safety Review

The Lease Contracting Officer or Leasing Specialist must complete the transmittal form to request FPLS review by the regional fire protection engineer. The FPLS submittal package must contain:

- A completed GSA Form 12000
- A copy of a valid certificate of occupancy or of a report prepared by a licensed fire protection engineer verifying that the offered space meets all applicable local codes and ordinances
- A scaled floor plan drawings of the floor or floors of space being offered for Government lease, and a floor plan of the street floor
- A copy of the previous year's fire alarm system maintenance record showing compliance with the requirements of National Fire Protection Association (NFPA) 72.
- A copy of the previous year's sprinkler system maintenance record showing compliance with the requirements of NFPA 25.
- There are two levels of evaluation, depending on the space offered:
 - *GSA Form 12000, Part A*—This is a two-page form providing basic information about the proposed building that can be completed by the offeror or the offeror's representative. It can be used for any building when all Government occupancy is below the 6th floor. Part A must be completed by the offeror or an authorized representative.
 - *GSA Form 12000 Part B*—This is a more extensive form collecting more detailed technical information for a proposed building. It must be used when proposed Government occupancy includes space on or above the 6th floor. Part B must be completed by the offeror's professional engineer (i.e., fire protection engineer).

Implementation Components

FPLS Components
GSA FPLS Review Process Flow Chart
Lease Market Survey (FPLS Revision)
Prelease FPLS Evaluation GSA Form 12000—(Part A & Part B)
GSA FPLS Review Request Form

SIMPLIFY SEISMIC REVIEW

Seismic safety in leased space is governed by the Earthquake Hazards Reduction Act of 1977 (42 U.S.C. §7701–7706) and Executive Order (EO) 12941, “Seismic Safety of Existing Federally Owned or Leased Buildings” (December 1, 1994). EO 12941 charged Federal agencies with meeting acceptable seismic standards for Federal buildings or buildings leased for use by Federal tenants. The directive requires Federal agencies to provide “an adequate level of seismic safety in federally owned and leased buildings in an economically feasible manner.”

Guidelines for achieving such standards have been promulgated through the Interagency Committee on Seismic Safety in Construction (ICSSC) Recommended Practices (RPs) as the standards have evolved. The most current, RP6, is being updated. Implementing the existing ICSSC building seismic standards is difficult because of the evolution of and variation in regional building codes. Local jurisdictions have historically adopted one of four different codes that have not in all cases met the requirements of the ICSSC standards. The local building codes may have changed over time, resulting in existing buildings in the same jurisdiction having differing levels of compliance with respect to the ICSSC standards, depending on when they were constructed.

The cost of conducting a seismic evaluation of a building offered for lease can be a significant expense for the building owner, and is especially onerous for lessors in areas of lower seismicity where such evaluations are uncommon. The cost of retrofitting older buildings to meet seismic criteria can be prohibitive and would be passed on through the rent. Historic properties are particularly affected by the Executive order, as they are typically older buildings in downtown areas constructed before modern seismic codes existed.

In order to make an offer for GSA lease procurements, the building owner must do the following:

1. Demonstrate that the building is a benchmark building as defined in Federal Emergency Management Agency (FEMA) 310/American Society of Civil Engineers (ASCE) 31.
2. Complete a tier 1¹ study by a professional structural/seismic engineer that there are no significant deficiencies in the building and that the building meets RP6 (at an estimated cost of \$4,000 to \$10,000 per study). The building owner must obtain a certification by a registered professional engineer that the building conforms to the standards.
3. If the building does not pass a tier 1 study, complete a tier 2² or tier 3³ report (at an estimated cost of \$25,000 to \$70,000 or more) to show that the building meets the standard, or commit to seismically upgrading the building.

¹ A checklist of evaluation statements that identifies potential seismic deficiencies in a building based on performance in past earthquakes

² The specific evaluation of potential deficiencies identified in Tier 1 to determine if they represent actual deficiencies that may require mitigation.

³ A comprehensive building evaluation implicitly or explicitly recognizing nonlinear response.

It is important that seismic guidelines conserve the lives of people and preserve their safety in federally leased buildings in an economically feasible manner. Minimally acceptable seismic goals for Federal lease procurements are clarified in order to streamline the submital and evaluation process for offerors, and to engage with OMB to develop guidelines to preserve the safety and security of building occupants while keeping the requirements in line with industry norms and complying with the EO.

Toward that end, as a first step, whenever possible lease acquisitions should make use of the following exemptions that apply to leased space under the current RP6:

1. All buildings in regions of low seismicity where $S_{DS} < 0.167$ g, and $S_{D1} < 0.067$ g (unless designated by the agency as a critical facility)
2. Warehouses or other storage structures that are intended only for incidental human occupancy or that are occupied by persons for a total of less than 2 hours a day
3. One-story buildings of steel light frame or wood construction with areas less than 3,000 square feet
4. The remaining useful life of the building, or the agency's requirement for the building, has been identified as being less than 5 years
5. Rehabilitated buildings that substantially comply with RP4, or other agency-specific standards and criteria to the satisfaction of the owning agency, in all five compliance categories (structural, nonstructural, foundation, geologic site hazards, and adjacency).

Actions on the horizon to more fully implement this improvement include drafting a business case to seek further relief from OMB to develop guidelines on complying with the EO and preserving the safety and security of building occupants while considering the financial impact of the ICSSC RPs. Ideally the guidelines would do the following:

1. Reinstitute the RP4 exemption for all leases under 10,000 square feet. This standard satisfies Executive Order 12941 at a reasonable cost, without limiting competition or compromising tenant life safety in leased buildings. This was an important exemption, because the cost to get a certification, the possible effect of a negative report on future leases, and the possible cost to rehabilitate a building will stop many lessors from offering space to GSA. This exemption should be limited to buildings that do not fall into one of the specifically prohibited substandard construction types.
2. Exempt all leases under 40,000 square feet in areas of medium seismicity because of the cost to the government and the lower level of risk, as long as offered buildings do not fall into one of the specifically prohibited substandard construction types.

Key Considerations

A study commissioned by PBS estimates that complying with EO 12941 would increase annual rent by \$200 million to \$400 million, depending on the level of seismic construction (RP4 or RP6, respectively).⁴

Seismic review is time-consuming and expensive. Simplifying seismic review and defining GSA's requirements will improve the competitive environment for lessors, reduce costs, and shorten project cycle time.

Thirty Federal departments and agencies with an interest in seismic safety participate in the ICSSC. Of the members, GSA has the greatest number of leases. GSA representatives on the ICSSC will give PBS a voice on these issues by helping to create policy for seismic issues related to lease transactions. Implementation Components

Implementation Components

Seismic Review Components
Executive Order 12941
Cost Study for RP4–RP6 Compliance
ICSSC RP4 February 1994
Existing Bldg Certificate of Seismic Compliance

SECURITY

The ISC membership concluded that one ISC standard should govern all facility physical security requirements and that security should be an integral part of the operations, planning, design, construction/renovation, or acquisition of Federal facilities. In April 2010, the ISC issued “Physical Security Criteria for Federal Facilities—An Interagency Security Committee Standard,” which established baseline physical security measures applicable to all Federal facilities at each Facility Security Level (FSL): I, II, III, IV, and V. Further, this standard provides a framework for customizing security measures to mitigate unique risks faced at each facility.

This approach is a major departure from the practice of having a standard set of countermeasures for each of the FSLs at any facility. This new system requires customizing the requirements for each facility. The ISC regards it as critical to recognize that the security decision process is an integral part of an overall facility management and real estate process and must be fully integrated to be the most effective.

Because this is such a major departure from the current process, we cannot fully integrate the finer points of this standard at this time. As an interim process to meet the basic intent

⁴ Cost Study for RP4/RP6 Compliance, Grubb & Ellis, October 29, 2010.

of this standard, we are continuing to use a standard set of countermeasures for each security level. Work has begun on a system and a process to get the new standard correctly implemented.

CLARIFY SCORING POLICIES

Every lease action must be evaluated against certain criteria to determine whether the lease should be treated as an operating lease (involving an annual operating expense) or a capital asset lease (a capital acquisition) for budget scorekeeping purposes. If any one of the operating lease criteria is not met, the lease risks being scored as a capital lease, which would require the Government to budget the present value of the total lease payments plus taxes in the first year of the lease term.

The regional Offices of Portfolio Management, in coordination with Leasing Specialists, perform these scoring evaluations. In doing so, they must verify that the present value of the lease payments over the life of the lease does not exceed 90 percent of the fair market value of the asset at the inception of the lease—an involved and time-consuming calculation. Under previous guidance, in Realty Services Letter (RSL) 2008-03, *Determination of Operating or Capital Lease Classification for Budget Scorekeeping Purposes*, scoring evaluations could be required several times throughout the process for a single lease acquisition. In some scenarios, when sufficient evidence indicates that a particular lease is unlikely to score as a capital lease, the 90 percent calculation is not required. Variations and confusion in interpreting this guidance demonstrated a need for further clarification.

This improvement promotes the consistent application of scoring policy and adds clarity to determine when scoring is required. It revises the previous guidance to do the following:

- Clarify when, how often, within what time frame, and under what scenarios a “90 percent” scoring calculation is required, and the roles and responsibilities for performing the evaluation.
- Require the net present value calculation only once, or not at all, depending on the lease procurement model used.
- Allow exceptions for the Census Bureau and other customers with inflexible location or term requirements, such as TSA.
- Revise the Lease Scorekeeping Workbook and automate tools; explore using REXUS or eLease to facilitate lease reviews.

The new guidance helps to expedite the scoring process by shortening the time for performing a scoring analysis and reducing the number of iterations required, depending on the action.

A Leasing Specialist no longer has to complete the initial scoring workbook. Instead, information is transmitted to the asset manager, who runs a market-based test to determine whether the leasing action is reasonably in danger of scoring as a capital lease. Leases below the SLAT will not require completion of a formal scoring workbook; instead, only a memo to the file signed by the Lease Contracting Officer is required (see below for further details).

A LEASING SPECIALIST NO LONGER HAS TO COMPLETE THE INITIAL SCORING WORKBOOK.

Revised scoring guidance has been developed and incorporated into the LDG. A new workbook for completing a scoring review that will mirror changes to RSL 2008-03, Determination of Operating or Capital Lease Classification for Budget Scorekeeping Purposes, is targeted for finalization by May 2011.

Scoring Determination: Key Features and Benefits

The clarified scoring policies reduce the burden of determining the operating or capital lease status of proposed leases.

If a lease qualifies as a simplified lease, the Lease Contracting Officer confirms its operating lease status by signing the Simplified Lease Scoring Memorandum, which states that all applicable conditions have been met to qualify as an operating lease (the lease meets all of the criteria detailed in Appendix B to Circular No. A-11 with the exception of the “90 percent” criterion, which is waived for simplified leases). The Leasing Specialist must provide a copy of the signed memorandum to the BA53 budget analyst, along with the request for the certification of funds.

For all lease models other than simplified leases, the policies are clarified to reduce scoring iterations and procurement time by requiring only preliminary scoring at the beginning of a lease acquisition project rather than full-blown scoring. A “preliminary green light” can be issued up front on leases with terms of 6–20 years. An overview of the OA rental data is completed quickly, with full-blown scoring performed at award. If the preliminary scoring results in a score of 80 percent or higher, a full-blown scoring must be undertaken before the preliminary green light is issued. The preliminary scoring analysis accompanies the request for determination, allowing a fast turnaround time.

Implementation Components

Scoring Components
Revised Scoring Guidance
Scoring Memorandum for Lease Extensions
Lease Scoring, Prospectus Procedures, and TAPS 4.6.11
(For other scoring memorandums, please see specific model section.)

STREAMLINE TI/POST-AWARD PROCESS

Summary

Tenant improvement (TI) projects during the postaward period generally require a clear statement of requirements, very detailed planning and design, considerable coordination, and effective construction monitoring and cost control. When lessor bids are not in the correct format or lack the required backup, delays and conflicts can occur that magnify the time and effort for analyzing TI and building shell costs. Delays, postaward change orders, and extra costs can arise if core team members from the client agency are not involved up front in establishing the design intent drawings, or if responsibilities and expectations are not properly communicated. In addition, lack of clarity and uniformity in the TI cost analysis process can heighten a sense of uncertainty and risk in considering alternative routes, delay lessor responses to lease requirements, and add time and effort to bid analysis.

Postaward TI processes need to be restructured to be consistent in approach across the regions and supported with adequate GSA resources. The topic “Leasing Support Services” appearing later in this report discusses an initiative to evaluate nationwide support requirements and resource needs, including contract support for pricing and monitoring TI construction. The treatment of DIDs and TI/Post-Award pricing are discussed in detail in the standard RLP, GSA Form R101C.

Streamline TI/Post-Award Process: Key Features and Benefits

This improvement consists of three components:

- *TICS table improvement*—An improved Tenant Improvements Cost Summary (TICS) table replaces the one in RSL 2007-04, Price Reasonableness Determinations and Notices to Proceed for Tenant Improvements Supplemental Lease Agreement for Excess TIs. This tool calculates and records a lessor’s proposed TI costs as required in the RLP. It supplies TI cost data by functional area and makes the price evaluation more intuitive and standardized. An earlier version of the improved table has been further revised, including new modifications to lease language (“Tenant Improvement Pricing Requirement”). It also clarifies the level of detail needed in the backup and requires offerors to identify in their initial proposals the shell work items they expect will be needed in the offered space. These enhancements will reduce the delays and misunderstandings that can arise during TI cost analysis.
- *DID roles and responsibilities*—Roles and responsibilities for DIDs are defined for each party. Guidance discusses rules of engagement for performing a needs assessment and determining who will provide the DIDs; resolves discrepancies between the former SFO

and Pricing Policy regarding lessor responsibilities, and provides RLP text; and outlines key elements of project communication for establishing project requirements. Additional information can be found under the “Standard Lease Model” section of this report.

- *TI cost analysis*—Guidance is improved for analyzing TI costs. Document text and hidden instructions in the RLP and lease now clarify the desired competitive process and the alternatives available if multiple general contractor bids are not received on time. In addition, a brief narrative of the TI bidding process helps convey the basic steps of the process to project team members and the client. This will help in shaping expectations early and avoiding delays during the bidding process.

Implementation Components

TI/Post-Award Components
MasterFormat TICS Table
Pre-solicitation Needs Assessment Meet Agenda Template
Pre-Construction Kick Off Meeting Template
Guidelines for TI Bidding
OA Ad Hoc Clause—TI Projects
Design Meeting Agenda Template—Agency Prepares DID
Design Meeting Agenda Template—Lessor Generated DID
Pre-Construction Meeting Agenda Template
TI Proposal Tool

ANSI/BOMA STANDARD

Summary

GSA has used the terms “usable square feet” and “ANSI/BOMA Office Area” (ABOA) interchangeably, which has caused confusion. GSA issued a space terminology clarification in July 2010 that ABOA and rentable area are the standards for GSA space measurement. GSA has not changed how space is intended to be measured, or how rent is calculated, but clarified and removed the potential for misunderstandings that arise from using multiple terms for the same measurement definition. The announcement, posted on FedBizOpps.gov and PBS InSite, clarifies these space measurement terms. Those seeking to do business with PBS should understand the occurrence of the term “usable” space to mean ABOA, defined as follows:

ANSI/BOMA Office Area (ABOA) is the area “where a tenant normally houses personnel, and/or furniture, for which a measurement is to be computed,” as stated by the American National Standards Institute/Building Owners and Managers Association (ANSI/BOMA) publication, Z65.1-1996.

ANSI/BOMA Standard: Key Features and Benefits

This improvement clarifies GSA's space measurement terminology for the private sector. It eliminates confusion and provides consistency in solicitations, forms, and communications.

Implementation Components

Space Measurement Clarification Components
BOMA Space Terminology Clarification

PETITION TO INCREASE SIMPLIFIED LEASE ACQUISITION THRESHOLD

Summary

The current SLAT of \$150,000 allows about 35 percent of GSA's leases (affecting about 5 percent of GSA's net annual rent) to be acquired using the simplified lease acquisition model. Increasing the SLAT to \$500,000 would permit as many as 60 percent of GSA's leases to use the simplified lease model.

Legislative Change Proposal 10-PR-01, "Proposal to Increase Simplified Acquisition Threshold for Leased Space to \$500,000 Net Annual Rent," was delivered to Congressional Intergovernmental Affairs in August 2010. If OMB approves the proposal and Congress authorizes the increase, in order to minimize risk to the portfolio, policy guidelines and controls will need to be updated for the Lease Contracting Officers who use the simplified method for procuring leases. This recommendation will remain open until approved by OMB and Congress has an opportunity to consider it.

Petition to Increase Simplified Lease Acquisition Threshold: Key Features and Benefits

The petition seeks a legislative change to increase the SLAT from \$150,000 to \$500,000. Raising the SLAT as requested would permit up to 60 percent of GSA's leases to use the simplified lease model and magnify the benefits of using that model.

CLARIFY LEASE PROSPECTUS PROCESS

Summary

Although prospectus-level leases—those with a net annual rent greater than \$2.79 million for FY 2011 and an estimated \$2.89 million for FY 2012—are a very small number of GSA's annual lease transactions, they represent 19 percent of the square footage awarded and 20 percent of the annual rent GSA pays to lessors. They must be reviewed by OMB for

submission to GSA’s congressional committees for their review, and issuance of committee resolutions and matching House and Senate resolutions are required before we award a lease. The prospectus process is the path to achieving the required approvals and authorization.

REALTY TECHNICIANS OR A SIMILAR POSITION SHOULD BE CREATED AND MADE RESPONSIBLE FOR DATA INPUT IN eLEASE.

All of GSA’s regions hold prospectus-level leases in their inventory, although the National Capital Region awards the majority. Improved guidance will assist all regions in preparing their prospectus leases with the same level of completeness and quality, reinforce compliance with lease prospectus requirements, encourage consistent practices, and foster communication and coordination across business lines. The revised FY 2012 Leasing Call provides templates for lease prospectuses and supporting documents. The most up-to-date guidance is available for GSA associates on the Capital Investment and Leasing Program (CILP) Web site at <https://workspaces.gsa.gov/LotusQuickr/lotusquickr/Main.nsf?OpenDatabase> using Quickr login credentials.

Well-written and thoroughly developed prospectuses will help facilitate the review of our submissions with our stakeholders (the Office of Management and Budget and our authorizing committees).

Clarify Lease Prospectus Process: Key Features and Benefits

A standard submission package will allow all prospectus submissions to demonstrate a similar level of completeness and quality, especially benefitting regions that do not handle many prospectus-level leases and that, therefore, have less experience with their requirements. Updated guidance includes examples of well-written prospectuses, as well as templates and supporting documents.

Implementation Components

Clarify Lease Prospectus Process Components
FY 2012 Capital Investment and Leasing Call—Leasing Section
Lease Scoring, Prospectus Procedures, and TAPS 4.6.11
Current Guidance—See CILP Web site at https://workspaces.gsa.gov/LotusQuickr/lotusquickr/Main.nsf?OpenDatabase
(For other lease prospectus examples, please see specific model section.)

ELECTRONIC INITIATIVES (eINITIATIVES): KEY FEATURES AND BENEFITS

The following are current and proposed process improvements to support the initiatives identified in the Lease Reform recommendations.

- **eLease**—As the repository for lease documents, eLease plays a direct or indirect role in implementing several Lease Reform improvements, including the Acquisition Plan, the Succeeding/Superseding Decision Tool, industry space terminology, the Procurement Summary Sheet and FBO advertisement, lease cycle time, electronic signature, and standard language in the new RLP and lease documents. Lease Reform documents for each lease model will be uploaded into eLease as they are finalized. The functionality has been added in eLease to select the appropriate lease model.

Currently, the main users of eLease are Leasing Specialists and the National Broker contractors. However, the Lease Reform Team proposes that realty technicians or a similar position be created and then made responsible for data input in eLease going forward (see the “Leasing Support Services” section of this report for more information on this proposed position).

Future enhancements to the eLease tool will accommodate all Lease Reform model documents and forms. Additionally, the Lease Reform improvements may require three to five major enhancements a year (rather than only two) to deal with the structural changes proposed to all core lease documents. The objective is to make it faster, easier, and less expensive to revise and update eLease. Work in progress (see the eLease Enhancements for Lease Reform spreadsheet component document) includes expressing in simple, nontechnical terms how revisions can be addressed timely; identifying which types of revisions can be considered operations and maintenance and which will fall under other categories; and providing an estimated time line for implementing Lease Reform changes such as developing RLP and lease template wizards for each lease model.

Going forward, the IT Governance Board will play a critical role in determining the success of Lease Reform. If including and automating documents in eLease is delayed, it will impair the regions’ ability to use the new lease models and other process improvements.

- **Electronic signature**—The Office of Real Estate Acquisition is exploring electronic signature technology to enable online lease offer submission, evaluation, and award for quicker delivery of leased space. As part of this effort, the office of the PBS Chief Information Officer (CIO) is pursuing a standalone electronic signature solution that could potentially benefit all PBS business lines and processes, including leasing. The PBS CIO’s office has assigned a project manager to the electronic signature project and has received approval from the PBS IT Governance Board to coordinate across all PBS business lines and finalize a business case that reflects their needs.

- **Email offers**—This initiative is exploring ways to allow for receiving online offers via existing IT infrastructure (for example, by email). Currently offerors may submit facsimile proposals in response to a solicitation. Facsimile proposals are subject to the same rules as paper proposals. A business case has been developed that presents the need to allow offerors to submit offer documents by email and for the Government to accept them similarly.
- **Electronic vs. paper files**—This initiative will improve the use of eLease and reduce the number of documents in the paper lease files to only the source documents. Region 4 is piloting this initiative in phases and monitoring the process changes, so that implementation procedures can be adjusted, if necessary. If the pilot test is successful, these procedures will be implemented as formal policy for all PBS regions. On January 25, 2011, after the PBS CIO's office verified that eLease had the necessary infrastructure capacity, the Office of Real Estate Acquisition notified Region 4 to proceed with the pilot. On February 9, 2011, Region 4 launched Phase 1 of the pilot project. This first phase is expected to last approximately 30 days. Region 4 will progress to Phase 2 immediately upon the successful implementation of Phase 1, but no later than April 1, 2011. While no definite time limit has been identified for Phase 2, it is anticipated to last at least 90 days.

The measures for success include reducing the space and costs required to store lease files, reducing the paper and printing costs associated with paper lease files, and improving use of our IT applications, such as eLease. In addition, this pilot will more effectively support environmental and sustainability goals identified in GSA's Strategic Sustainability Performance Plan.

- **FBO Advertisement Template**—The goal of this initiative is to get an ad template uploaded into the Federal Business Opportunities Web site. The template will allow consistent content and format; make our leasing advertisements stand out; and allow potential offerors to ascertain essential project information and determine their level of interest, no matter which region or field office is advertising. Currently, PBS regional offices have been instructed to use the FedBizOpps template to create the ad, and cut and paste into the open text box within the FedBizOpps Web site where the advertisement information is usually inserted. Uploading the template to that Web site will allow GSA to improve implementation of this recommendation in two ways: by eliminating the step of copying the template from a Word document, and by providing all agencies Government-wide (not only PBS) with an advertising template to follow when acquiring leased space.
- **eCommon**—eCommon technology allows for data exchange between multiple applications, such as providing REXUS data to eLease. This event management tool allows for real-time data exchange between applications rather than waiting for a nightly data refresh and removes the need to maintain duplicate data sets in each application. For the BA53 approval process, a funding submission in eLease by the Leasing Specialist can trigger a request to the budget analyst in REXUS. The business processes for the new

Lease Reform models, online offer tool, and NBC evaluations can be automated and easily updated via the eCommon framework. Functionality commonly used by multiple applications can be reused in other applications to reduce development work and create consistency. Examples include communication logs, alerts and notifications, document searches, and contacts. Since an approach to tracking and managing space requests is of concern, eCommon functionality will be useful.

- **Tracking and Managing Space Requests**—eCommon integration will aim for overall project process modeling. This will allow us to model, implement, and monitor the overall process (24 milestones) governing the project life cycle in eLease. The Milestone Schedule Service is being used by eLease already, but it must be integrated further with the eCommon framework.

Implementation Components

Electronic Initiatives Components

eLease Enhancements for Lease Reform (spreadsheet)

RENT BILL MANAGEMENT

Summary

In the past, Central Office review of rent bill management (RBM) exception requests typically took an average 30–45 days, creating a bottleneck for the regions. The reengineering team recommended that Central Office reduce the exception review time, to keep the work flowing and reduce project cycle time.

The average Central Office exception request review time was reduced from 1 month to less than 5 days. Although rent bill management will change after the release of REXUS (the replacement for GSA's legacy inventory data management system, STAR), the reduction in review time has benefited lessors by generating more timely rent payments since January 2010.

Many changes pertaining to RBM will occur with the new release of REXUS. Once REXUS goes live (expected by July 2011), the Rent Bill Management team will only be responsible for the OA side of the house—it will no longer edit, approve, or reject any lease actions, as these transactions will be handled in-house by the Leasing Specialist. RBM's only involvement will occur when a lease action is finalized in REXUS and must be passed onto the OA.

Two other major improvements involve CPI adjustments/taxes and holdovers. First, the current year taxes and CPI adjustments will automatically pass through on the OA directly from REXUS. The same process will occur with any prior year taxes and CPI adjustments

up to \$100,000. Second, for processing holdovers the OA will automatically be extended on a month-to-month basis, completely eliminating the need for RBM to review the OA.

Once REXUS goes live, RBM action will be required only when there are changes to the OA and to verify data accuracy in the OA. All other lease actions will be handled in-house by the Leasing Specialist without RBM involvement.

Rent Bill Management: Key Features and Benefits

The exception review time has been reduced from 1 month to less than 5 days, keeping work flowing and reducing project cycle time. This means that lessors are receiving more timely rent payments. REXUS will automatically pass through current year taxes and CPI adjustments on the OA; RBM team review of the OA will be eliminated for holdover extensions.

PRICING POLICY AND RELATED TRAINING

Summary

GSA rent pricing policy is based on legislative authority and OMB direction. The accurate application of pricing policy promotes accurate billing and national consistency. Certain aspects of pricing policy are being reviewed to improve understanding and drive policy changes that will approximate commercial practice and foster the delivery of quality workspaces.

- **Pricing policy training**—Live training was provided to each region during FY 2010 on initial pricing policy basics and the changes in the fourth edition of the Pricing Desk Guide. The pricing team is developing Web-based training on areas of interest expressed by the regional attendees. The training will be available online and through the GSA Online Learning University in the fourth quarter of FY 2011.
- **Occupancy Agreement signatures**—Pricing Basics Training covered when OA signatures are required, and the OA Signature Guide for Leases was updated in December 2010. Furthermore, the “to-be” process maps will illustrate when an OA signature is required in the lease process to promote clarity and consistency.
- **Review shell and TI definitions**—A study will be completed during the third quarter of FY 2011 to determine what changes, if any, GSA should make to current shell and TI definitions and to gauge their potential impact. A survey to identify commercial market practices is being distributed to the commercial real estate community. Detailed interviews will be conducted on selected participants to refine the data and support recommendations regarding what changes, if any, should be made to shell and TI definitions. The time frame for implementing study recommendations will depend on the complexity of changes recommended and adopted.

- **Non-cancelable determinations review**—The pricing team has reviewed non-cancelable space determinations and concluded that the application of this policy would benefit from greater consistency. Operational guidance is being developed in conjunction with regional portfolio associates and will be completed in the fourth quarter of FY 2011.
- **Review of requirements development and Construction Management (CM) Services**—Finance and portfolio associates are analyzing the cost of requirements development and CM services. The goal is to identify trends and compare them to the PBS fee in the third quarter of FY 2011. The workspace delivery program is exploring how requirements development services can be delivered in a more consistent and cost-effective manner. The two teams will share findings and coordinate on any needed policy changes.

LEASING SUPPORT SERVICES

Summary

GSA leasing depends on access to expertise and support to complete lease transactions timely and economically. Those resources have been limited or not consistently available in all regions. Five regions have technical services support branches within their Real Estate Acquisition Division (READ) with full-time equivalent (FTE) staff and/or contract services that provide some but not all of these services, typically construction management and cost estimating. Other regions may receive these services through collaboration with other PBS divisions.

A survey of Realty Specialists, including Lease Contracting Officers, indicated the need for support in the following areas, listed by frequency or priority:

- Market data, including operating expense analyses
- Construction management
- Construction cost and TI estimating
- Requirements development⁵
- Realty technicians for assistance with administrative tasks
- Sustainability issues
- Evaluating offerors' ability to perform financially

⁵ Requirements development was not part of the original survey. However, it is expected that the need will increase significantly with the implementation of new lease acquisition models that rely more heavily on up-front ASRs.

-
- Fire and life safety reviews
 - Appraisals.

The current Federal budget situation makes it unlikely these unmet needs will be addressed with additional hires or new contracts. Therefore, regions are urged to pursue greater collaboration with other business lines and Central Office to take advantage of available resources.

One example is accessing FTEs and existing national and zonal contracts in Design & Construction divisions that are underutilized, now that American Recovery and Reinvestment Act activities are ramping down and capital budgets are being reduced.

Another example is market data, where there are opportunities in regions to transfer underutilized CoStar licenses to staff members who negotiate leases on a regular basis. Similarly, the Office of Real Estate Acquisition Strategic Planning and Measures center is piloting a “Bullseye” market data program in Regions 5 and 9 to make the full spectrum of market information available to realty specialists for their particular requirement through its various research vehicles.

The Office of Real Estate Acquisition will work with the regions to promote greater collaboration and sharing of resources, information, and best practices among the regions and business lines as the agency continues to do more with less.

Connecting with Customers

CLIENT CONNECTIONS (CUSTOMER REQUIREMENTS DEVELOPMENT AND APPROACH TO TRACKING AND MANAGING SPACE REQUESTS)

“ONE OTHER THING ABOUT SETTING AND COMMITTING TO SCHEDULES: THEY’RE TWO-WAY STREETS. ... IF WE PROVIDE A SCHEDULE, WE’RE GOING TO BE SITTING DOWN WITH [CLIENTS] AND POINTING OUT THE DATES ON WHICH WE NEED THEIR PRELIMINARY AND THEN FINAL REQUIREMENTS.”

—Robert Peck,
PBS Commissioner

Summary

Delays in obtaining and understanding our customers’ requirements directly affect the transaction time line, the resources of both the successful offeror and GSA, and agency move plans. Delays often arise when client agencies do not provide complete requirements specifications before solicitation and lease award. This limits what information can be reflected in the solicitation (RLP) consequently the offeror’s ability to propose the most favorable prices. An in-depth understanding of how a client’s mission drives space requirements over time will allow GSA to provide sound advice and generate cost-effective solutions.

GSA realizes that all parties benefit when a complete ASR is developed before award, allowing preaward pricing of tenant improvement costs and removing the uncertainty of final rent payments or lump sum requirements for the client agency, and financing considerations for the lessor or developer.

Under current arrangements, both GSA and the customer are responsible for providing space requirements. As indicated in the PBS Pricing Policy, the PBS fee includes developing the space requirements necessary to start a project. But at the same time, customers have been responsible for providing the additional requirements and other information that the architect needs to properly design the new workplace.

With the release of the new lease models detailed in this report, GSA needs to change how space requirements are developed. ASRs must be created earlier in the lease project process, requiring a reexamination of the existing Pricing Policy cited above and reflecting gPM principles. Furthermore, ASRs must support the workspace solution GSA offers to the customer and must align with any customer portfolio plans and sustainability performance plans. Obtaining customer permission for GSA to develop ASRs, or even to convince client agencies to provide it themselves, will require communicating the benefit of Lease Reform to both local and national customer real estate representatives.

These activities, as well as creating a foundation for the expeditious provision of ASRs, will be accomplished throughout the balance of FY 2011.

Client Connections: Key Features and Benefits

Key to the simplified and streamlined lease models is to provide a full ASR package as part of the RLP. In addition to space needs, the package includes information concerning requirements for achieving GSA and customer sustainability performance plans, such as Leadership in Energy & Environmental Design (LEED) certification, greenhouse gas reduction, and energy reduction.

In order to expeditiously and consistently handle the sheer number of projects that will benefit from the lease models, the ASRs will be based on a master set of requirement parameters that meet national PBS needs (leasing, sustainability, etc.) and national customer needs identified in customer portfolio plans. Tools will be provided to regional GSA personnel for tailoring national ASR templates to specific project needs.

Communications regarding the ASRs will clearly identify the requirements components that are included or excluded from the PBS fee. For excluded components, customers will understand how failing to supply the needed information would affect their anticipated lease.

Communication

GETTING THE WORD OUT

In great measure, the success of Lease Reform requires that stakeholders know about and understand our new ways of doing business, the advantages, and how they can expect to benefit. The information is being disseminated through multiple channels to keep the GSA leasing community, our broker partners, customers, and industry informed of key GSA leasing activities and milestones.

- The GSA Leasing Community and Broker Partners—Lease Acquisition Circulars and the Leasing Desk Guide are the primary vehicles for issuing and documenting changes and improvements in policy and process. Regional pilot tests of new lease models will help refine them and familiarize associates with their use. Performance reporting will effectively convey information on Lease Reform to regional counterparts and to management regarding Lease Reform and communication.
- Customers—It is important to GSA that our customers are informed about the benefits they can expect from the Lease Reform initiatives, and that there is a mutual understanding of the new procedures, process changes, and expectations. We will improve communication processes, provide access to the new documents and policies online, and coordinate with customers on the improved documents and process changes.
- Private-sector partners—We are forging stronger links with private industry and strengthening GSA's presence and visibility as a trusted source of lease acquisition expertise.

Overall, marketing and lessons learned will promote, educate, and inform audiences about Lease Reform goals, results, and training. Feedback will foster two-way communication, generate lessons learned, and promote best practices. Messages that are more consistent will convey the benefits of Lease Reform to internal and external audiences nationwide.

TRAINING

Training is critical for integrating the components of Lease Reform and putting them into practice. The particulars of training are being developed to deal with different levels of training within GSA as well as for all of our stakeholders.

Within GSA, the broad plan calls for training to be offered at both the executive and associate levels. Lease Reform affects everyday lease operations and extends beyond Real Estate to Portfolio, Property Management, Client Solutions, and most other GSA business lines. Lead-

ers at GSA headquarters and across the regions need to be familiar with the most important changes in order to provide essential support and effective guidance. Seminars and other information will familiarize senior agency officials—including those at client agencies—with the rationale, highlights, and significant changes to the lease models and processes.

At the same time, a variety of traditional and Web-enabled methods and subject matter experts will help Lease Contracting Officers and Leasing Specialists—both long-time team members and new employees—understand the changes in detail. The regions are already training associates on the first eight recommendations, rolled out in October 2010. Associates will participate in regional pilot tests of the new models that will give them direct experience with how the models work, and they will generate ideas and lessons learned for broader implementation. As mentioned earlier, Lease Acquisition Circulars and the LDG will play a central role in explaining the improvements in policy and process. The rationale and logic supporting each change, together with examples that illustrate the Lease Reforms and team roles and responsibilities, will be thoroughly communicated across the entire leasing community.

Other training and communication channels will convey essential information to our customers, brokers, OMB, our congressional approving committees, and the private sector. GSA's outreach activities, outlined below, will also play a crucial role in familiarizing our agency and industry partners with our new models and processes.

PUBLIC-PRIVATE PARTNERSHIP

A fundamental strategy of GSA is to promote competition by attempting to maximize the number of potential qualified offerors for a lease solicitation. At the same time, we must make it easy for the private sector to do business with GSA, to understand the unique requirements of Government agencies, and to regard GSA as an expert partner in finding space solutions for our client agencies.

Improving communication with the private sector will strengthen GSA's presence and a sense of partnership with leasing industry practitioners. Bringing the leasing industry and PBS leasing operations closer together will enable PBS to stay abreast of private-sector best practices and forge strong working relationships.

GSA has begun this outreach and has conducted or participated in several forums to inform industry of Lease Reform activities. Among them was the fall meeting of the National Federal Development Association in November 2010, involving public- and private-sector practitioners in Federal real estate. The conference was devoted to outlining the expected changes brought about by Lease Reform and gathering feedback and additional suggestions. Association members received a packet containing summary information on the changes, along with a survey form for commentary, suggestions, and alternative ideas. GSA members of the Lease Reform team discussed the roll-out, collected the surveys, clarified issues, and answered questions. Industry representatives led discussion on alternative ideas and suggestions.

Other outreach efforts include expanded use of FedBizOpps and regional forums to keep industry apprised of key activities, including notice of expiring leases; and creating dedicated regional and national “leasing mailboxes” for communicating with the leasing community. Efforts are under way to increase participation by the Office of Real Estate Acquisition in professional networks or organizations, such as LinkedIn, the Federal Real Property Association (FRPA), the Certified Commercial Investment Member (CCIM) Institute, communities of practice in CoreNet Global’s Knowledge Center Online, and others. As one example, an article on Lease Reform was posted to the FRPA Facebook page.

“Thank you for your hard work on this. Wanted to let you know we are on board in R8 and have some folks using the new models and recommendations. I heard some good comments about the acquisition plan just this afternoon—easy to use and faster.”

—Russell A. Fury,
8P, *08, GSA, Gov

Closing the Circle

Lease Reform is by no means finished. It must remain a vital force and a productive way of thinking in day-to-day activities. To foster this change in culture, it is useful to remind ourselves about the challenges that have driven this initiative from its beginning, and to appraise our continuing progress toward meeting our goals.

The March 2010 Lease Process Reengineering Team Recommendations report identified a broad range of problems and envisioned a far-reaching plan with ambitious solutions. We noted that current workload exceeded our current capacity to deliver; that our customers want a consistent look and feel from region to region; and that the PBS lease acquisition process is long and complicated, limiting the pool of offerors that can afford to remain in the procurement.

We stated that the overriding goal of this project was to develop a less complicated, standardized, and streamlined lease acquisition process that balances national consistency while allowing for regional flexibility. The plan was to evaluate the end-to-end leasing process to help uncover new or improved methods and models for:

- increasing productivity,
- enhancing project delivery,
- meeting customer expectations,
- simplifying process and policy requirements,
- making it easier for the private sector to work with the Government, and
- improving overall leasing program performance.

Perhaps most importantly, we examined key issues from numerous viewpoints and identified shared areas of concern that would help prioritize and guide process improvements. We sought to focus on policies and processes that would benefit our stakeholders, such as our client agencies, our commercial partners in the private sector, Congress, and the PBS national and regional real estate community and business lines. Although these groups have different perspectives and unique driving interests, areas of common ground have been a major factor in shaping and prioritizing our recommendations. The following comparison looks at those shared concerns and goals, and states how the Lease Reform initiative is tackling the challenge.

<i>Creating lease models for specific lease actions</i>	GSA is doing away with our former one-size-fits-all leasing model. New acquisition models are designed to effectively manage several specific types of lease actions.
<i>Reducing cycle time for lease transactions</i>	The time it takes PBS to procure a lease will be notably shorter, especially for smaller and stay-in-place leases. Customers should begin to appreciate PBS as an organization that is agile, flexible, and able to change and improve.
<i>Streamlining activities, eliminating bottlenecks, and reducing the work required to produce a lease</i>	Our leasing operations are changing from being internally focused to being customer-centric. Rather than attempting to eliminate all risk, we are effectively managing it based on the lease procurement type. As a result, we have removed from our processes many non-value-added activities.
<i>Enhancing flexibility to react to client needs</i>	Our realty professionals now have several additional tools that will help them respond to urgent client requirements in a timely manner.
<i>Using consistent leasing processes, policies, and procedures across PBS regions</i>	The new and revised leasing models and process improvements will help make leasing operations and policy interpretations more consistent from region to region. This should help our client agencies, nationwide private-sector firms, and our own brokers reduce their costs of doing business.
<i>Understanding needs and acquiring clear and concise requirements early on</i>	GSA is improving mechanisms, at both the portfolio and transaction levels, for obtaining and understanding customer requirements. This will help us to provide sound advice to generate cost-effective solutions.
<i>Providing state-of-the-art leasing solutions using best practices, tools, and methods</i>	Our new practices, tools, and methods will help us become a value-added provider delivering state-of-the-art solutions. Our revised acquisition models and procedures are aimed at taking advantage of industry standards for space measurement, fire protection and life safety, and seismic safety.
<i>Leveraging prime position to strengthen buying power and reduce cost</i>	It will be easier for offerors to review solicitations, submit proposals, and in general partner with PBS. This should increase the pool of potential sources of space, promote competition, and encourage favorable prices.

As the preceding sections of this report show, these actions are bringing GSA/PBS closer to being the streamlined, standardized, and simplified organization that our client agencies and the private sector would like to do business with, and one that they will regard as the partner of choice for leasing space. Solid follow-through will be necessary for sustaining and strengthening this transformation.

On the Horizon

Although this report is the final implementation update for the initiative begun in November 2009, improving lease acquisition processes will always be an ongoing effort. Several current efforts can be expected to produce results in the near future:

- **Lease file checklist**—An improved lease file checklist tool under development tailors the list of documentation required for the lease file according to the type of lease action. This is an Excel file with a filter that allows the user to select only the checklist items needed for the type of lease. An initial draft has checklists covering standard, simplified, and streamlined leases, and work is under way on a succeeding lease checklist.
- **Shell/TI definition (warm lit vs. cold dark)**—A study will be completed during the third quarter of FY 2011 to determine what changes, if any, GSA should make to current shell and TI definitions and to gauge their potential impact.
- **Project tracking requirements**—The IT enhancements described in the eInitiatives section of this report will assist in developing and documenting client space requirements, both current and new requests. An automated tool for tracking space requirements—whether a new application or a module in eLease or another current system—would help each region to manage space requests and determine the most efficient way to satisfy client needs (federally owned space versus private-sector lease). The preferable option is a PBS-wide application that can properly interface with or function within our existing systems. Mapping the “to-be” lease acquisition business process will help determine the application’s most effective placement.
- **Prospectus leases**—Although we have developed and improved guidance and instructions, we are fully researching the requirements and process for prospectus leases.
- **Lease construction**—Updated guidance is approaching issuance in the LDG as Chapter 14, Lease Construction. It encompasses projects where Government requirements drive a new construction solution in order to satisfy an agency’s space requirements. The draft issuance chapter has been reviewed by the regions, PBS, and the GSA Office of General Counsel and was distributed to PBS reviewers for issuance approval in December 2010.
- **Reimbursable Work Authorizations**—Expect action in the near future on both the appropriate use of and procedures for RWAs, as well as efforts to reconcile and close out backlogs of RWAs.
- **Tax clause**—GSA has long observed a standard industry practice of escalating rent to cover increases in real estate taxes levied on lessors during the term of the lease. The

policy underlying this practice is that removing an element of risk from the pricing of rent in competitive procurements will result in greater competition and avoid the potential for lessors needlessly increasing offered rents to insulate them from the risk.

GSA's approach to escalating real estate taxes has required offerors to estimate real estate taxes as a component of their rental rate. However, the tax base used for escalating taxes is the actual tax assessment for the first year of full tax assessment. For example, an offeror may assume that taxes will be \$2.50/square foot in pricing its shell rent, but if the actual tax assessment in the first year turns out to be \$3.00/square foot, the lessor will realize a \$0.50/square foot lower return on the leased space. Conversely, if the first full assessment is \$2.00/square foot, the lessor will be getting a \$0.50/square foot windfall.

The industry has voiced its concern that this approach places a risk on lessors that ultimately gets passed on to GSA in the form of impacted performance or unnecessarily higher rent, contrary to the very risk allocation policy underlying the tax escalation concept. The industry has therefore suggested that GSA consider making real estate taxes a straight pass-through. While this approach would certainly eliminate all real estate tax risk from rent pricing, such an approach raises significant legal and policy issues.

First, there is a question as to whether lease procurements that provide for a straight pass-through would comply with the Competition in Contracting Act (CICA). That statute requires agencies to consider price in all procurements, and a question could be raised as to whether real estate taxes as a necessary component of price could be effectively disregarded in a competitive procurement. From a policy standpoint (and in fact, the policy underlying CICA), there would be a question as to whether the practice could lead to GSA selecting an offeror based upon the price evaluation, but ending up paying more total rent than it would have, had it selected a competing offer.

Possible options have been discussed to fine-tune the risk allocation in such a way that might mitigate the industry concern, while protecting the integrity and competition policies in GSA leasing procurements. These options will be further explored both internally and with GSA's external stakeholders.

- **Lease term**—We are continuing to give further consideration to lease terms (hard terms, soft terms, termination windows) that will allow the flexibility to stagger leases and accommodate the needs of our customers.
- **New lease models**—Guidance and lease models are in development for parking and warehouse leases.
- **Real estate team structure/"to-be" business process**—The Lease Reform Team, in coordination with the Business Process Improvement Division in the Office of Organizational Resources, is finalizing the to-be process, and developing baseline data for cycle times of leasing actions. Once the to-be process is finalized and the data are analyzed, we will propose methods for capturing future cycle-time data so that we

can continually improve the process. This process will be overlaid with the processes for RWAs and property management. In addition, the to-be process will be used to build the real estate team structure, which will include defined roles and responsibilities for team members in keeping with gPM principles.

Conclusion

This report represents a culmination of PBS Commissioner Robert A. Peck's charge to the Lease Process Reengineering Initiative team—to review GSA's lease acquisition process and improve it for GSA, our customers, and the private sector. It implements changes in lease processes, policies, and business operations identified in the final recommendations of March 2010. But Lease Reform, as an ongoing process, is by no means finished. It must remain a vital force and a productive way of thinking in day-to-day activities. All realty professionals have a crucial role to play in driving progress toward that goal.

Attachment A: Team Members

SPECIAL THANKS TO:

- **Project Champion:** Robert A. Peck, PBS Commissioner
- **Project Sponsor:** Chip Morris, PBS Assistant Commissioner

THE FOLLOWING ASSOCIATES MANAGED AND COORDINATED THE LEASE REFORM EFFORT:

- Denise C. Broskey: National Lease Reform Project Manager
- Thomas Hawkins: GSA Office of General Counsel
- Gary Davis: GSA Office of General Counsel
- Brenda K. Johnson: Lease Reform Implementation Manager
- Christy Sebring: Lease Reform Implementation Manager
- Ty Walker: Business Process Improvement Lead

SPECIAL THANKS TO THE OFFICE OF REAL ESTATE ACQUISITION'S CENTERS FOR REALTY POLICY, NATIONAL PROGRAM SUPPORT AND COMMERCIAL BROKER SUPPORT FOR PROVIDING THEIR EXPERTISE AND KNOWLEDGE IN REVIEWING AND COMPLETING THE DOCUMENTS.

WE ARE ALSO GRATEFUL TO THE REGIONAL COMMISSIONERS—IN PARTICULAR, OUR REGIONAL SPONSORS, GLEN C. ROTONDO AND JIM WELLER—FOR LENDING THE ASSISTANCE OF THEIR EXPERT STAFFS.

SPECIAL THANKS AND ACKNOWLEDGEMENT TO THE FOLLOWING FOR THEIR DEDICATION OF TIME AND RESOURCES:

- Regions 1, 8, 9, and 10—Expertise for the simplified lease model.
- Region 4—In-depth review of the GSA lease term and termination requirements.
- Region 9—Developing the on-airport lease model.
- Regions 8 and 9—Their partnership in piloting the streamlined lease model.
- Region 3—Providing the basis for the succeeding/superseding lease model
- Regions 3, 5, and 6—Leading the standard lease model charge.
- Region 7—Providing expertise and partnering for simplified lease model pilots.

THE FOLLOWING ASSOCIATES SIGNIFICANTLY CONTRIBUTED TO DEVELOPING AND FINALIZING THE INDIVIDUAL LEASE REFORM RECOMMENDATIONS:

Recommendation	Team Members	
Establish a Simplified Lease Acquisition Model (under SLAT)	Noreen Freeman–CO Steven Smith–R1 Christy Sebring–R8	Paul Meyer–R10 Carole Diamond–10
Create a Streamlined Lease Model (for Security Level I–III Leases Not Exceeding \$500,000 Net Annual Rent)	Christy Sebring–R8 Alejandra Guzman–R9 Chad Murray–R8 Cyrus Sanandaji–R9 Peter Shteyn–R9 Matthew Levesque–R8 Joel Gomez–R9 Jeremy Walker–R9	Tom Hixson–R9/4 Annie Eide–R8 Xitlaly Aranda–R9 Sarah Neujahr–R8 Donald Crawford–R9/4 Geancarlo Pilco–R9 Guadalupe Flores–R9
Create Acquisition Models for Succeeding and Superseding Leases	Laurie Ney–R3 Julie Hepp–R3 Erin K. Hoke–R3 Brian J. Tye–R3 Brian Brophy–R3 Emily Brashears–R3	Gary D. Eberly–R3 Colleen C. McGann–R3 Kurt D. Ramick–R3 Brett M. Wallen–R3 Jennifer Kauffmann–R3 Maya Godelman–R3
Petition to Increase the Simplified Lease Acquisition Threshold	Angela Foster–CO	Chip Morris–CO
Apply Industry Space Terminology Consistently	Brenda Johnson–CO	
Expedite Process for Fire Protection and Life Safety Reviews and Utilize Certificates of Occupancy That Conform to IBC Standards	Tom Hixson–R9/4 Denise Broskey–CO Dave Frable–CO	Bryan Bowman–R9 Brenda Johnson–CO
Improve Acquisition Plan Process	Julie Hepp–R3 Jan Trevino–R7 Michelle Parrish–NCR JL Quebbeman–R4	Monica Sias–NCR Chris Gronwold–R5 Angela Foster–CO
Include a Synopsis for Each SFO	Christy Sebring–R8	
Standard Lease Model and Solicitation Improvements	Christy Sebring–R8 Shellie Star–R6 Chris Gronwold–R5 Matt Helmering–R6 Marsha Green–R6	Nan Wauchop–R5 Donna King–R7 Steve Monkewicz–CO Tom Hawkins–CO Lynda Audas–R7
Seismic Review	Tom Hixson–R9/4 Bryan Bowman–R9	Bernie Minakowski–CO William Hirano–R10
Pricing Policy & Pricing Policy Training	Chris Giavis–R9/4 Angela Foster–CO Joy Heuer–CO	Carlos Salazar–CO Carol Diaz–R2 Brenda Johnson–CO
Provide Resource Needs/Contract Support	David Hofstetter–R4 Charlie Johnson–R4 Lizzie Williams–R4	John Culbertson–CO Jeneil Hunt–R4 Donna King–R7
Clarify Scoring Policies	Diane Campanile–CO Roman A. Jezzini–R8	Brett Wallen–R3 Sheldon Kravitz–CO

Recommendation	Team Members	
Develop GSA/Customer/Private Sector Communication/Interaction Plan	Susan Sylvester–CO Rob Wexler–CO Denise Broskey–CO Herman Goodyear–CO	Maryanne Beatty–CO Janise Nichols–CO Brenda Johnson–CO
Improve TI/Post Award Process	Matt Saitta–CO Stephen Monkewicz–CO Gary Eberly–R3 Donna King–R7 Paul Meyer–R10	Joe Nickerson–R1 Jan Trevino–R7 Brenda Johnson–CO Paul Floyd–CO Michelle Parrish–NCR
Prospectus Lease Process	Diane Campanile–CO Monica Harley–CO	Sheldon Kravitz–CO Brett Wallen–R3
eInitiatives (eLease, REXUS, Rent Bill Management, eOffer, eSignature)	Rod Vandervoort–R4 Brian Snow–CO Silvia Vlahov–CO Stefanie Geaney–CO	John Thomas–CO Dave Hofstetter–R4 Kenny Tiranno–CO Vince Diluzzio–CO
Approach to Track and Manage Space Requests and Client Connections	Denise Broskey–CO Herman Goodyear–CO Peter Kulp–CO Marsha Green–R6	Ryan Doerfler–CO Jennifer Kendall–CO JL Quebbeman–R4 Bob Stafford–CO
Legal (General Clauses, Split SFO)	Tom Hawkins–CO	Gary F. Davis–CO
Training	Denise Broskey–CO Matt Helmering–CO Joel Tabatcher–CO	Stephen Monkewicz–CO Brenda Johnson–CO Maria Torres–CO
Expedited on-Airport Lease Process	Cyrus Sanandaji–R9	Tom Hixson–R9/4
As-Is/To-Be Business Processes	Ty Walker–CO Brian Hobbs–CO Bill Matthews–CO	Amir Attee–CO Denise Broskey–CO Paul Floyd–CO

IMPLEMENTATION TEAM GOING FORWARD—“CLOSING THE CIRCLE”:

- Denise C. Broskey: Lease Reform National Program Manager
- Tom Hawkins: GSA Office of General Counsel
- Brenda Johnson: Lease Reform Implementation Manager
- Steve Monkewicz: Lease Reform Training Lead
- Matt Helmering: Lease Reform Communications Lead
- Ty Walker: To-Be Business Process Lead

THANKS TO OTHER GSA BUSINESS LINES FOR THEIR GENEROUS PARTICIPATION AND THE ASSISTANCE OF THEIR STAFF:

Allison Azevedo:	National Project Manager, gPM
Martha Benson:	Assistant Commissioner, Office of Client Solutions
Michael Bowers:	Client Intelligence Division
Denise Funkhouser:	Director, Reimbursable Services Division
Larry Melton:	Assistant Commissioner, Facilities Management & Services Program
Edward Meyman:	Office of PBS Chief Information Officer
Flavio Perez:	Deputy Assistant Commissioner, Office of Portfolio Management
Steve Peters	Office of Real Property Asset Management, Pricing and Tools Division
Kenny Tiranno:	Office of Real Property Asset Management, Pricing and Tools Division

PARTICULAR THANKS TO THE OFFICE OF REAL ESTATE ACQUISITION, UNDER THE LEADERSHIP OF DIRECTOR CHRIS WISNER, FOR APPLYING THEIR TIME, KNOWLEDGE, AND OVERALL DEDICATION TOWARD MAKING LEASE REFORM A SUCCESS.

“The challenge is for the government—from central office leadership through field office staff—to possess the wisdom and will to execute policy and transactions with an attitude of collaboration. We are confident that Commissioner Peck and the industry team led by Denise Broskey and Brenda Johnson are not only committed to this mission, but capable of making it happen. We consider ourselves partners in their effort and hope our entire industry will provide whatever support is necessary for their efforts to succeed.”

—Matthew E. Hurson,
Director Hines, East Coast Region

Attachment B: Glossary

ABOA	ANSI/BOMA Office Area—GSA’s standard for the area where people and furniture are housed; the area “where a tenant normally houses personnel, and/or furniture, for which a measurement is to be computed,” as stated by the American National Standards Institute/Building Owners and Managers Association (ANSI/BOMA) publication Z65.1-1996.
ASR	Agency-Specific Requirements—an information package that describes the customer’s space requirements in sufficient detail for offerors to provide pricing for a turnkey buildout
CIO	Chief Information Officer
CPI	Consumer Price Index
DID	design intent drawing
DID workshop	Postaward meeting at which all stakeholders, including the end users, participate to develop the DIDs, allowing decisions to be made and approved quickly
eInitiatives	Encompass the development of new electronic and IT tools, and ways to use existing leasing-related IT systems more effectively; includes eLease, REXUS, Rent Bill Management, eOffer, eSignature
eLease	Electronic tool that standardizes a national leasing transaction life cycle and automates the daily tasks of realty professionals through document management and storage, electronic templates, a workflow engine, communication facilitation, and systems integration
EO	Executive Order
EO 12941	Executive Order 12941, “Seismic Safety of Existing Federally Owned or Leased Buildings and Earthquake Hazards Reduction Act of 1977 (42 U.S.C. §§ 7701-7706)—Governs seismic safety in leased space
eOffer	electronic offer; method for receiving online offers via existing IT infrastructure (for example, by email)
eSignature	electronic signature; technology to enable online lease offer submission, evaluation, and award for quicker delivery of leased space
FAR	Federal Acquisition Regulation
FBO	FedBizOpps—single-source Web site for Federal Government procurement opportunities
FEMA	Federal Emergency Management Agency
FPLS	fire protection and life safety—standards and criteria for certificates of occupancy issued by local authorities. The Lease Contracting Officer may accept the certificates of occupancy provided there are no exceptions to the International Building Code.

FRPA	Federal Real Property Association
FSL	Federal Security Level
FTE	full-time equivalent
gPM	global project management—An enhanced project management approach involving multi-disciplined project teams from the inception of a lease project. gPM will eliminate disjointed handoffs and provide customers and industry partners with a seamless experience.
GSA	General Services Administration
IBC	International Building Code
ICSSC	Interagency Committee on Seismic Safety in Construction
IDIQ	indefinite delivery/indefinite quantity
Industry space terminology	See ABOA
ISC	Interagency Security Committee
ISC security levels	Physical security criteria for Federal facilities established by Interagency Security Committee; baseline set of measures to be applied to all Federal facilities at each Facilities Security Level (I–V); provides a framework for customizing security measures to deal with unique risks faced at each facility
LAC	Lease Acquisition Circular—official communication that issues policies and document additions as Leasing Desk Guide revisions. Lease Reform changes will be issued in LACs as formal GSA policy.
LCO	Lease Contracting Officer
LDG	Leasing Desk Guide—the authoritative PBS guide to policies and procedures governing the acquisition by lease of real property
Lease Amendment	Document that codifies changes to executed leases; replaces Supplemental Lease Agreement (SLA)
Lease Contract	Document that includes all contractual and enforceable aspects of the lease; legally binds the Government and winning offeror to its terms
Lease Models	Procurement methods and tools that tailor the acquisition to the size, complexity, and security level of the transaction based on net annual rent levels
Lease Reform	Culmination of the Lease Process Reengineering Initiative initiated by PBS Commissioner Robert A. Peck to review GSA’s lease acquisition process and improve the lease acquisition process for GSA, our customers, and the private sector

Lessor	Any individual, firm partnership, trust, association, State or local government, or legal entity that leases real property to the Federal Government. Equivalent term for landlord.
NBC	National Broker Contract
NBC2	Second generation of the national brokerage services contracts, which provide capacity to the regions in delivering space to GSA's customer agencies
OA	Occupancy Agreement—a complete, concise statement of a client agency's agreement to the financial terms and conditions for occupying GSA-controlled space. GSA prepares the OA, and both the agency and GSA sign it. The document consists of the signed agreement and a financial summary.
Offeror	A party making an offer in response to a solicitation
OMB	Office of Management and Budget
On-Airport Lease Model	Acquisition method that accommodates the special circumstances of on-airport leases
One and done	Acquisition method in which the Lease Contracting Officer may award a contract based on initial offers
PBS	Public Buildings Service
PMP	project management plan
RBM	rent bill management
READ	Real Estate Acquisition Division
REXUS	Real Estate Across the United States
RLP	Request for Lease Proposal—GSA Form R101; solicitation template tailored to each lease model. Has no force or effect after lease award, when the Lease Contract becomes the legally binding document.
RP	Recommended Practice
RSL	Realty Services Letter
RWA	reimbursable work authorization
Seismic Review Levels	See Tier 1, Tier 2, Tier 3
SFO	Solicitation for Offers; replaced by Request for Lease Proposal (RLP) and Lease Contract
Simplified Lease Model	Lease model used when the lease does not exceed the simplified lease acquisition threshold (SLAT)

SLAT	simplified lease acquisition threshold
Solicitation Provisions	GSA Form 3516
Standard Lease	Lease model used when the acquisition does not fall within the parameters of the other lease models; based on the traditional Tenant Improvement/Solicitation for Offers (TI/SFO) that accommodates the complexities of Level IV security requirements, extensive tenant alterations, and prospectus-level leases
Streamlined Lease	Acquisition model for leases not exceeding \$500,000 net annual rent and ISC security Levels I, II, and III
Succeeding/Superseding Lease Models	Acquisition models for stay-in-place lease transactions
TI	tenant improvement
TICS	Tenant Improvements Cost Summary table—spreadsheet that calculates and records a lessor’s proposed TI costs as required in the RLP; provides TI cost data by functional area and makes the price evaluation more intuitive and standardized.
Tier 1	Seismic review level; checklist of evaluation statements that identifies potential seismic deficiencies in a building based on performance in past earthquakes
Tier 2	Seismic review level; specific evaluation of potential seismic deficiencies identified in Tier 1 to determine whether they represent actual deficiencies that may require mitigation
Tier 3	Seismic review level; comprehensive building seismic evaluation implicitly or explicitly recognizing non-linear response
TMP	Transaction Management Playbook
TSA	Transportation Security Administration

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