

Succeeding and Superseding Leases (Recommendation 3)

Create Comprehensive Acquisition Models for Succeeding and Superseding Leases.

Summary

The GSA PBS Lease Process Reengineering Team Final Recommendation Report identified the need to streamline, standardize, and simplify the lease acquisition process. This model for succeeding and superseding leases is designed so that leasing specialists could utilize an effective, mid to long term stay in place option and reduce overall cycle time and the number of extensions.

This model provides a streamlined approach to succeeding and superseding leases where requirements have not changed and a stay in place solution is appropriate. Additionally, in situations where tenant agency requirements have not been received, this model with a short firm term (1-3 years) may be appropriate.

Benefit

This model intends for the current Lessor to be aware that the use of this model will be conducted as a sole source procurement. This will foster more direct and rapid negotiations, similar to a negotiation for a lease extension. Specifically, the Solicitation for Offers has been revised to recognize 'as-is' space. GSA Form 1364-S, Offer to Lease Space, has been revised to include the current lease rates as reference point for negotiation. Additionally, this model eliminates many non-value added lease process steps.

Utilizing these models will reduce the average acquisition cycle time for "stay in place" procurements and allow PBS to make prudent business decisions in the absence of a written customer agreement. The major changes incorporated in these models include:

- Elimination of SFO clauses and paragraphs that are not applicable.
- Streamlined offer forms designed to obtain current rental and market information to encourage rate reduction and facilitate two-way communication.
- Elimination of the Lessor's Annual Cost Statement (SF 1217).
- Allows LCO to move forward without a signed OA.
- Development of a "stay in place" model to gather and analysis relevant data when completing remaining in an existing lease.

Guidance

Streamlined Succeeding Lease Definition: For the purposes of this model, a succeeding lease is a lease acquisition secured to cover a continuing occupancy at the current premises at the end of a lease term without a break in tenancy *with minimal to no changes in the tenant agency requirements*.

Streamlined Superseding Lease Definition: For the purposes of this model, a superseding lease is a new lease with terms and conditions that replaces an existing lease prior to its expiration *with minimal to no changes in requirements*. This superseding lease model would primarily be used to take advantage of favorable market rates in exchange for committing to a longer lease term.

- 1) Refer to GSAM Section 570.402, entitled “Succeeding leases,” and refer to GSAM 570.404 for guidance on Superseding leases.
- 2) The following are assumptions for the use of this model:
 - a. Necessary due diligence completed through the Stay in Place Diagnostic Tool for the current location is performed and supports remaining in the current location.
 - b. The customer agency requires no changes to the square footage that would require significant build out.
 - c. The existing tenant configuration is acceptable and no other improvements, beyond refreshing paint and carpet, are required. If a tenant improvement allowance is required, then the standard SFO and related forms should be utilized.
- 3) Under this succeeding lease model, the approval to accept space in an “as-is” condition does not release us from obligation to meet such requirements as ABAAS, fire and life safety, and ISC security criteria.
- 4) Templates: Leasing specialists shall use this model when the above assumptions can be met and it is the appropriate course of action. The following documents are required to be used with this model:
 - a. Stay in Place Diagnostic Tool
 - b. Market Survey Analysis/Negotiation Objectives Template
 - c. Streamlined Succeeding/Superseding Solicitation for Offers
 - d. Streamlined Succeeding/Superseding GSA Form 1364-S and Instructions
 - e. Streamlined Succeeding/Superseding Abstract of Offers

Objective

To expedite lease delivery by providing succeeding and superseding lease models to be used in place of the standard SFO lease model.

Process Changes

Stay in Place Diagnostic Tool. This model adopts a proactive approach in performing due diligence for our expiring lease inventory. The Stay in Place Diagnostic Tool is intended to assist the Leasing Specialist in deciding the appropriate procurement strategy based upon a thorough evaluation and analysis of several factors that are typically reviewed as part of acquisition planning. They include current lease details, financial implications of relocation, market conditions, past performance and contractual compliance with lease requirements including ABAAS and life safety.

This tool also contains a Cost Benefit Analysis Spreadsheet that can be used during the acquisition planning stage and after the Market Survey/Research stage in support of the Justification for Other than Full and Open Competition.

The tool provides an efficient way to capture and array the information necessary to determine if a stay in place solution is appropriate, even before requirements are received.

Market Survey/Research. Publicizing/Advertising for alternative sources. Per GSAM 570.402, an advertisement is only required for acquisitions 10,000 square feet or more.

The market survey (market analysis) shall include rental rate and other specific building information as it relates to the government's requirements that can be gathered on the telephone or on line commercial real estate data bases. It does not necessarily require full building tours of the alternative locations. If full building tours are deemed appropriate or if the due diligence on the current location requires a building tour to be completed; Form 2991 Lease Market Survey for an Existing Building should be used. A streamlined combined *Market Analysis/Negotiation Objectives* template is attached that can be used for this model as well as the traditional succeeding lease model.

The *Streamlined Succeeding/Superseding Solicitation for Offers (SSFO)* provides for accepting the current location's space "as-is" as long as it meets (or the owner is willing to meet) current life safety, seismic safety, and accessibility standards; specifications are kept to a bare minimum. A tenant improvement

allowance is not provided. Any tenant improvements, such as paint and carpet replacement, will need to be identified in the SFO and priced in the rental rate. Consequently, paragraphs referring to location, TI build-out and specifications, present value evaluation, and new construction have been removed

Additionally, the list of submittals required as part of the offer has been reduced and is reflected on the *Streamlined Succeeding/Superseding Abstract of Offers*.

If the procurement becomes a full and open competition, the modified TI paragraph in the standard SFO can be utilized to take advantage of tenant improvements in place. Please refer to the blue text of this paragraph in Section 3.2 *Tenant Improvements Included in Offer* of the standard SFO for more information.

GSA Form 1364-S, Proposal to Lease Space shall be used for this model instead of Form 1364. The Leasing Specialists shall fill out the current lease information prior to sending it to the current lessor for completion.

The *Streamlined Succeeding/Superseding Abstract of Offer* is designed to assist the Leasing Specialist in evaluating the offer in two ways: (1) to identify offer deficiencies/technical noncompliance through comparing the offer and subsequent iterations against SFO requirements and (2) by tracking the progress of negotiations (e.g. price improvements). Certain abstract items (such as firm term) may be revised to correspond to the SFO on a project by project basis.

In the event that, after several repeated attempts, the customer agency has not signed an OA prior to the date required to avoid a holdover situation; the Regional Portfolio Director can approve proceeding with award without a signed OA. Please refer to the *Pricing Desk Guide, 4th Edition, Chapter 2, Section 2.1.3 Signature Page*, for more information.

Implementation Components

Table of implementation components:

Component	File
Guidance Succeeding/Superseding Lease Model	 R3_IC1 Guidance on Succeeding and Supe
Stay in Place Diagnostic Tool Manual Version	 R3_IC2 Stay Put Diagnostic Tool Manu:
Market Survey Analysis/Negotiation Objectives Template	 R3_IC3 Market Survey Analysis and I
Succeeding/Superseding Lease GSA Form 1364-S and Instructions	 R3_IC4 Succeeding and Superseding GSA
Succeeding/Superseding Abstract of Offers	 R3_IC5 Succeeding Lease Abstract for Of
Succeeding Lease Solicitation for Offers	 R3_IC6 Succeeding Lease Solicitation for

Appendix to Streamlined Succeeding/Superseding Lease Guidance

Major SFO changes

1. Added “Succeeding Lease Premises Acknowledgement” to clearly identify that the SFO reflects a succeeding lease, for space in current condition, with certain exceptions involving accessibility, life safety, security, and minimal refreshing of paint and carpet. Tailored shell definition to reflect this, so that systems are to be designed to coordinate with existing improvements, instead of meeting an “open layout” concept.
2. Deleted any references associated with criteria that would qualify or disqualify a specific offered space from consideration. This includes unique requirements, locational/delineated area considerations, efficient layout, etc.
3. Deleted pre-award submittals associated with “capability to perform”, based on assumption of minimal risk associated with this model.
4. Deleted award paragraphs that are not applicable in a sole source negotiation, including price evaluation.
5. Deleted paragraphs and subparagraphs associated with new construction, including
 - a. LEED requirements
 - b. Labor standards (Davis Bacon)
 - c. Relocation
 - d. Seismic, Fire Protection, Security and Green Lease standards for new construction.
6. Deleted paragraphs that represent technical specifications associated with tenant improvements, such as partitioning, electrical distribution, and ceiling height requirements.
7. Revised paragraphs for building elements such as ceilings, windows, exterior door, flag pole, etc, to address maintenance and upkeep requirements only, as these would not be required to be newly installed.
8. Deleted reference to drinking fountains and toilet room fixture schedule, as additional fixtures are not contemplated under this model (although ABAAS upgrades may be required).
9. ABAAS, fire and life safety, green and security requirements all remain the same.
10. If a paragraph has been modified from the original, the date in parentheses has been removed.