

PBS Client Enrichment Series – Q & A



Topic: Leasing 101

Presenters: Charlie Johnson and Ken Idle

Dates of Presentation: July 15, 2021

Link to Client Enrichment Series Information: www.gsa.gov/ces

Additional Leasing 101 Information

- [CES Leasing 101](#) - YouTube video
- [Leasing Overview](#) - gsa.gov resource
- [PBS Space Pricing Desk Guide - 5th Edition](#) - current PBS space pricing policy
- [National Customer Engagement Contacts](#)

1) How accurate is the cost estimate 36 months from renewal?

Answer - The accuracy of the initial cost estimate will depend on a number of variables, such as where your project is located and whether your project has any specialized build-out requirements that we have not yet factored into the price. The initial estimate will be more accurate in major markets for traditional office space. If your project is outside of a major market or contains specialized build-out, the accuracy will be lower. When your project is assigned to a project manager and the project requirements are finalized the project team should be able to provide an updated estimate with more accuracy.

2) What if a non-prospectus expiring lease becomes a prospectus future lease? E.g. consolidation of several expiring leases creates a prospectus threshold requirement.

Answer - This can happen and we use a very similar example of this in one of our training courses. When this does happen, the project manager will create a new schedule based on the finalized requirements which would include the necessary steps for a prospectus project.

3) For GSA, does the "...reflects negotiated lease terms" amount of negotiated rent include TI in its total?



PBS Client Enrichment Series – Q & A



Answer - Prior to award OAs will only include an estimate of the TI costs based on your agency’s Tenant Improvement (TI) allowance. The actual cost of the tenant improvements is typically negotiated after design and construction drawings are completed post award.

There are some special instances where GSA may use a “turn-key lease” negotiation. This is where the scope of the TI is developed to a stage where the actual cost of the TI can be negotiated prior to award.

4) Does GSA require a signature on renewal OA's from the client agency?

Answer -

Continuing Requirement	OA Signature
Lease extension with no increase in square footage or annual rent (excluding scheduled CPI adjustments)	Signature NOT required.
Lease extension with an increase in square footage or annual rent (excluding scheduled CPI adjustments)	Signature required. GSA may act without signature to protect the government’s financial interests.
Succeeding lease or exercise of a renewal option	Signature required. GSA may act without signature to protect the government’s financial interests.
Forced move	Signature required. GSA may act without signature to protect the government’s financial interests. Refer to section 4.3 .

Pricing Desk Guide 2.1.3. Table 2-2. OA Signature Guide for New and Continuing Requirements

5) What is the definition or classification of a "Class A" space? What requirements must a Lessor meet to have their facility classified as Class A

PBS Client Enrichment Series – Q & A



Answer - Class A space is a common term used in private sector real estate to refer to the top group of buildings available for lease in that market. GSA does not require “class A” space and our solicitation documents do not use this term. GSA uses terms such as “modern quality building of sound and substantial construction.”

6) When do you involve NEPA Floodplains check?

Answer - A NEPA check is performed as part of our due diligence prior to entering into a lease.

7) Can a Leasing Contracting Officer get a lease contract with unimproved land?

Answer - Yes, Lease Contracting Officers can acquire spaces for unimproved land with a term up to 1 year. However, if the land is improved, either by existing improvements or the land will be improved by the Lessor as part of the lease contract, the land is considered to be “improved” and can be leased up to our normal 20 year limitation. Most GSA land leases are used to assist FEMA with disaster relief efforts.

8) How much consideration is given to the client agency's overall satisfaction with their existing lease?

Answer - Project teams will conduct due diligence into the performance of any incumbent Lessors using both the agency’s information and that of our Lease Administration Managers as well any documentation in the file. When there are outstanding or on-going issues with a Lessor’s performance, the LCO will seek to address those concerns during negotiations if the incumbent Lessor is competing for the new lease.

9) How do you differentiate Federally owned space lease and a commercially owned space lease?

Answer - Federally owned space is space owned by the Federal Government. This space may be under the jurisdiction of GSA, USPS, or DOD. Commercially owned space is owned by a private sector entity.

10) Is there a resource to see the market value of cost per square foot?



PBS Client Enrichment Series – Q & A



Answer - GSA has access to several sources of market information such as REIS, COSTAR, and CB Richard Ellis market reports. The specific resources used may vary by market.

11) Has the CPA replaced the SF81? Is the SF81 currently obsolete?

Answer - GSA does not require the SF81. However, that form remains in use by many agencies and GSA will still accept information submitted on an SF81. GSA has begun to use the Client Project Agreement (CPA) to capture the information that was previously captured on the SF81 and if agencies submit their space request using an SF81, that information will be used in part to complete the CPA.

The Client Project Agreement, (CPA) is a collaborative document that helps define a project's strategic requirements and other occupancy considerations. The Regional Planning Manager and other GSA team members will work with you on completing the CPA. It is part of our Occupancy Planning and Requirements Development Process, outlined on our website. You can view [Part 1 \[PDF - 146 KB\]](#) and [Part 2 \[PDF - 167 KB\]](#) of the CPA on our website to familiarize yourself with its contents.

12) Can you explain again the differences between an under prospectus and prospectus level lease?

Answer - The prospectus threshold is an amount of net annual rent which is set every fiscal year. Leases with a net annual rent over that amount must receive approval from Congress prior to GSA awarding the lease contract. Leases below this rent threshold may be awarded without any additional approvals submitted to GSA's normal statutory authority and limitations.

13) Who has the final say to finalized the lease, is it purely based on lowest bidder scenario?

Answer - See question 14

14) What happens if there are multiple vendors with the same lowest priced, technically acceptable award offer amount?

Answer - GSA uses a present value calculation to determine the lowest price. This calculation incorporates numerous aspects of the offer, including the various rent components as well as the fees and amortization rates in the offer. Due to this, it would



PBS Client Enrichment Series – Q & A



be exceptionally rare for two offers to have the exact same present value as they will almost certainly differ in some aspect of their offer even if they happen to offer the same initial rent. For example, one Offeror may offer a slightly lower amortization rate on the tenant improvement allowance.

15) *How long does the market research and survey process usually take?*

Answer - This process can be highly variable depending on the scope of your project. It is best to consult your project manager at the beginning of the project for a more specific estimate.

16) *When will GSA begin conducting in-person market surveys again post-pandemic?*

Answer - GSA has worked to develop creative solutions to the challenges presented with doing business in the pandemic. GSA has access to technology through our GLS plus broker contractors that allows us to create 360-degree videos that can more accurately replicate the experience of walking through the building. GSA will continue to monitor the situation and make decisions regarding returning to in-person market surveys as soon as the circumstances in the area allow for a safe return.

17) *During the pre-solicitation market survey does GSA have the expertise and screen buildings to ensure the property complies with all accessibility standards of the ADA and ABAAS standards? Do they make critical measurements for bathrooms, water fountains, ramps, building signage?*

Answer - GSA has standard checklists which are used to help leasing specialists conduct market surveys and there are additional due diligence reviews that happen as a part of the offer review process. The checklists will help the leasing specialist identify the most common aspects of accessibility, such as accessible restrooms and ramps in the proper locations. If something is noted in the survey it will be addressed with the offeror. However, even if a specific deficiency is not identified during the market survey process, the contract language is clear as to the Lessor's responsibility to ensure that their building meets ABAAS standards through the term of the lease contract.

18) *Are the market survey forms used in the SLAT model after bid or does the*

PBS Client Enrichment Series – Q & A



building tours only use the RLP source selection plan for evaluation?

Answer - The SLAT Model uses the same building tour form used with AAAP. The building tour form functions like the market survey forms and is used to assist with validating that the building can meet the requirements of the solicitation.

19) *What criteria must a prospective Lessor possess to be considered in the solicitation pool?*

Answer - The Lessor's space must be able to meet the requirements outlined in the solicitation documents. The government's advertisement and Request for Lease Proposals describes the requirements and the associated Lease document describes the requirements of the selected Lessor.

20) *Who makes the decision whether an OA is cancellable or non-cancellable and why?*

Answer - The portfolio management and leasing divisions within each region determine whether OAs will be cancelable or non-cancelable. Non-cancelable space is characterized by the low probability of PBS finding a backfill tenant due to specific qualities of the spaces. The decision is made at the beginning of a leasing action. Please see the Pricing Desk Guide, Section 5.2 for more details.

21) *Does the AAAP model with the lowest responsible offer pre-identified by GSA appear to the tenant agency as a lack of choice, where GSA essentially "directs" the agency to locate in a specific building at a specific address? How can a tenant agency exercise some discretionary choice when the AAAP model is applied?*

Answer - Regardless of the acquisition model that is used, GSA goes through a process of determining the requirements for a solicitation and then buildings which are capable of meeting those requirements are eligible for award. When using AAAP, or any other acquisition method, the agency has an ability to review the proposed building against their requirements. When a building cannot meet the agency's identified requirements the agency is able to identify the deficiency to GSA and the building should be excluded.

PBS Client Enrichment Series – Q & A



- 23) ***When doing a market survey, do you have a "cap" for rent price in place or can anybody make an offer?***

Answer - At the market survey stage we are not collecting offers. All buildings which appear capable of meeting the requirements are eligible to be viewed on a market survey. When offers are received, GSA does not place a cap on what rent an Offeror can offer in response to a solicitation. The higher the offer, the less likely it is to be successful.

- 24) ***Is RLP the same as SFO? as in "Building services to be provided to the tenant agency for the operating expense portion of the Rent are specified in the PBS Solicitation for Offers (SFO) that is made part of the lease contract."***

Answer - The Request for Lease Proposals (RLP) replaced the Solicitation for Offers (SFO) document. The SFO previously acted as both a solicitation document and the body of the eventual lease contract. GSA replaced the SFO with two separate documents which more clearly function for each purpose. The RLP is the solicitation document and the Lease is the contract.

- 26) ***GSA guidance has referenced a bullseye report in developing negotiation objectives. How can delegated agencies or GSA supported agencies request and receive a bullseye report?***

Answer - Bullseye covers office space in major markets. GSA's delegations are in non-major markets or for specialized space. Neither of these would be covered by a bullseye report so they are not used for delegated leases.

- 27) ***Is it ok to lead the prospective lessor to an amortization calculator?***

Answer - It would be ok to advise a Lessor that there are numerous amortization calculators available online and that a google search should reveal a number of them. I would recommend against leading an Offeror to a specific calculator in case the calculator somehow is deficient.

- 28) ***How/when are Agency security needs/challenges identified during this process and who is responsible for doing so?***

Answer - The agency's security requirements are first identified during requirements development. This process helps identify critical security requirements which may

PBS Client Enrichment Series – Q & A



impact which buildings are eligible for selection. This includes items such as a floor requirement or setbacks to certain types of occupancies. The agency's security requirements are further considered during the post award design and construction process. The agency's personnel, in conjunction with Federal Protective Service (FPS) are responsible for identifying their security requirements.

29) *Has a new lease ever been stopped after award if the agency's requirements change?*

Answer - While we take many steps to prevent this from happening, in some very rare instances an agency may determine that recently awarded space is no longer needed. In this case, GSA would work with the agency and the Lessor to consider all possible options to mitigate the loss from awarding the contract. This would include seeking to backfill the space with another tenant.

30) *How many properties do you tour if there are more than one that is lowest technically acceptable? What if one is eliminated during the tour will other tours be scheduled?*

Answer - For our AAAP and SLAT models, the building tour occurs after the government has determined the apparent lowest offer. The lowest offer is determined using a present value calculation that takes into account many aspects of the offer. For this reason, even if two offers are close, one will be slightly lower than the other on a present value basis. That lowest offer will be the space that is toured first on the building tour. LCOs may arrange for additional buildings who submitted offers to be toured if there is a concern about the ability of the identified lowest offer to meet the requirements of the govt. This is also commonly done when the location of the procurement requires travel so that in the event that the lowest priced space is found to be unacceptable the govt. team can proceed to view additional buildings without having to arrange for additional trips.

31) *What happens if a new offeror is the lowest, but the current lessor is next lowest... can you justify staying in the current locations due to cost of move, IT, etc.?*

Answer - The government can consider reasonable move and replication costs when determining if an incumbent or a new offeror represents the lowest price to the government.

32) *Who ensures that the due diligence checks such as fire/safety, size,*

PBS Client Enrichment Series – Q & A



seismic map, energy star, & offeror capabilities to perform are met? Is there a GSA due diligence checklist published online?

Answer - The leasing program has a robust set of checklists and policies that ensure that required due diligence reviews take place prior to award.

33) *Is that why our go/no goes are so important? To identify those in the requirements portion of the process?*

Answer - It is very important that any “go/no-go” requirements (those requirements which are critical to the suitability of space) are identified during requirements development, prior to any engagement with the market. This will help direct our market research as well as the solicitation documents.

34) *What if the AAAP property is eliminated during the tour because of not meeting requirements, will other tours be scheduled or does the competition start over or market research expanded?*

Answer - When using APP or the SLAT model it is common to arrange for additional building(s) to be toured during a building tour in the event that the identified lowest offer cannot meet the requirements. This prevents the need to set up additional tours. In the event that no other offers were received, then the procurement would start over with an expanded delineated area or revised requirements which would result in more competition.

35) *Are due diligence checks performed prior to the end of a leasing agreement? What are the next steps if there are egregious deficiencies found during the assessment/inspection?*

Answer - See question 36

36) *Is past performance (of the lessor) factored in during the due diligence checks?*

Answer - The offeror’s capability to perform is part of the lease award consideration. This capability to perform includes past performance.

37) *What is a good example to use the best value tradeoff instead of LPTA?*

PBS Client Enrichment Series – Q & A



Answer - Best value tradeoff can be used whenever the government wishes to consider awarding the contract to other than the lowest priced technically acceptable offer. Best value tradeoff is more commonly used with larger and/or more complex requirements.

- 38) ***How is lowest cost technically acceptable work as it relates to TI? Does it assume the build-out will cost the same at each location (assume no incumbent)? Or does it just look at the TI allowance on offer from the lessors? It seems like each building would have a different cost of executing the buildout, based on what is already there/not there.***

Answer - It is difficult to go through the entire TI process in a Q&A answer. All offerors are required to provide the shell standard as part of their shell rent. Any improvements an offeror may have to bring their space up to the shell standards in the lease is at their cost. In simple terms, the TI allowance is used to bring the space from the “warm lit shell” standard of the lease document to finished usable space. The shell standard applies to all offerors equally, including an incumbent. It is understood that some offerors may have space that already meets our shell standard and therefore their cost to improve the space to the shell standard is lower than others. This may allow some offerors to offer space at a lower rate. However, this is only one consideration that an offeror has when determining their price and therefore an incumbent offeror may or may not represent the lowest price to the government.

- 39) ***The Agency submits their requirements. If the low bid on the building comes back where it does not meet the requirements, can GSA waive the requirement?***

Answer - The leasing program commonly awards leases using the “lowest price technically acceptable” process. This is also known as “LPTA” or “low bid.” An offeror who does not meet the requirements of the solicitation would not be considered “technically acceptable” and therefore would not be eligible for award. GSA does not waive established requirements of a solicitation simply in order to favor one offeror. For example, an offeror outside the delineated area would not be considered. If GSA waived the delineated area requirement for this one offeror it would be unfair since there may be numerous offerors who were also outside the delineated area but did not submit an offer because they were unable to meet the government’s identified requirements.

- 40) ***What are the main documents that should be incorporated in the lease itself, (L100, section 1.07). For example should GSA Form 1217 and Agency Program of requirement POR be part of the final lease document and why?***

PBS Client Enrichment Series – Q & A



Answer - The 1217 is not incorporated into the lease. Similar to the 1364, the other financial bid form, aspects of the information submitted on the 1217, such as the operating costs per square foot, are incorporated into the lease. The Agency's POR is included in the lease.

- 41) ***The actual lease charges on GSA 'rent on the web' can differ from both the OA and estimates, especially in a new Fiscal Year. Can GSA provide timely documentation or information to agencies showing OA cost adjustments in order to align with current monthly lease costs?***

Answer - Assuming this question is regarding operating and/or real estate tax escalations; if either the operating or real estate rent component is split out from the shell rent component, the OA Financial Summary section automatically estimates an annual escalation at 3% per year for budgeting purposes. Any actual amount of operating or real estate tax rent escalation must be documented in the executed lease amendment before it is actually billed to the customer agency, therefore, there is a short lag between the billing, OA, and lease document until the entire process is executed for billing. If the scenario behind the question is other than that described in this response, please notify your regional leasing point of contact.

- 42) ***How does GSA address more specific client needs (e.g. medical space) in a non-LPTA situation? Can GSA perform a tradeoff RLP?***

Answer - Yes, GSA can use best value trade-off to conduct an acquisition where price is one of the award considerations but there are other identified "award factors" which are also considered.

- 43) ***Should the GSA Form 1364 - Proposal to lease space be incorporated in the lease itself?***

Answer - The 1364 is not incorporated into the lease itself. Information from the 1364 is used to complete the lease, such as the annual rent.

- 44) ***How does GSA deal with the Rule of Two situation when the VA is its client?***

PBS Client Enrichment Series – Q & A



Answer - GSA does not apply the Rule of Two. When GSA began to conduct acquisitions of healthcare space for VA this rule and its associated requirements were reviewed by GSA legal counsel. It was determined that this requirement did not apply to GSA acquisitions when VA is the tenant. GSA was successful against a protest on this matter.

45) Can you elaborate on the TI cost and how that is determined/calculated?

Answer - TI costs are determined based on the location of the acquisition and the agency's "tier." There is a standard TI amount that is adjusted for the locality, up or down, and then an additional 10% per "tier" level is added. So, a "tier 2" would receive an additional 20%.

46) As a follow on regarding past performance - do you take the client's experience into account (for an expiring lease)?

Answer - GSA takes into consideration the government's own experience with an offeror, including that of the tenant agency and our proper management group.

47) What skill set would one have to have to possess in order to be a leasing project manager? I occupy a GSA lease building but, very interested in learning more about the leasing process.

Answer - The leasing program has a project delivery guide and training which assist new lease project managers with becoming familiar with the leasing process and how to manage this process.

48) Once a site visit review is complete is there a technical review afterwards to ensure requirements are met?

Answer - There are due diligence checks that occur throughout our process to determine if there is space capable of meeting our requirements.

49) When doing a market survey, do you have a "cap" for rent price in place or can anybody make an offer?

PBS Client Enrichment Series – Q & A



Answer - When conducting a pre-solicitation market survey the government has not yet received offers. Once a solicitation is issued, offerors can submit any offer they would like, however, a higher offer is less likely to receive the award. The competitive process is a valuable tool in driving down prices. Lease Contracting Officers can also engage in negotiations to lower an offer.

- 50) ***AAAP appears to be the equivalent of using LPTA. If a more specific set of needs exists which cannot be met via AAAP (e.g. medical space), then those needs have to be identified and a tradeoff-oriented RLP might be more appropriate.***

Answer - AAAP uses LPTA as their award process. Complex requirements, such as complex medical space, are more likely to be awarded using best value trade-off which would use our Global Model rather than AAAP.

- 51) ***That's the only way a "partner" would have more input into the selection process. Even then, the selection criteria- not the preferences of the tenant governs.***

Answer - Unsure of the meaning of this question. When GSA uses best value trade-off to make an award the client is a part of the development of the source selection plan which outlines the award factors.

- 52) ***Is it possible to discuss delegations? When and how are they given? pitfalls? etc.***

Answer - This topic is difficult to address fully in this space. Delegations may be requested when an agency has the personnel capable of meeting our delegation requirements. Delegations for space which are outside common markets where GSA conducts acquisitions or are for agency specific specialized space are more likely to be granted. Delegations for office space in markets where GSA routinely conducts acquisitions are less likely to be granted.

- 53) ***A cancellable OA is at a lesser cost to the customer agency- right?***

Answer - A cancelable OA has a fee of 7% which is added to the rent paid to the Lessor. A cancelable OA may be canceled by the tenant agency and the space returned to GSA, subject to certain conditions. A non-cancelable OA has a fee of 5%. The lower fee for non-cancelable OAs takes into consideration that the agency may not cancel the OA and return the space to GSA.



PBS Client Enrichment Series – Q & A

