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

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SUBJECT: LEASING ALERT – Clarifications to Building Specific Amortized Capital (BSAC)
Security, **Pertains to Leased Space Only**

This Leasing Alert provides clarification for the application of Building Specific Amortized Capital (BSAC) as defined in the Pricing Desk Guide (Chapter 2.9) and the Leasing Desk Guide (Chapter 19).

In leasing, all Interagency Security Committee (ISC) recommended countermeasures for each Facility Security Level (FSL) are listed in the attachments to the Leasing Desk Guide (LDG) Chapter 19. These countermeasures are priced as shell items or are priced as BSAC. The BSAC charge is for specific security items that are a separate capital investment in the leased property. BSAC charges are separate from the building shell or Tenant Improvements (TI) for rate setting purposes. BSAC is separately priced, is typically amortized in the rent over the lease firm term, and is a lease pass through to tenant agencies on their PBS rent bill as one of the line items.

After consultation between the Federal Protective Service (FPS) Physical Security Specialist (PSS) and the tenant agency or Facility Security Committee (FSC) regarding the tenant agency's determined level of protection, the Leasing Specialist (LS) may need to revise the baseline paragraphs in the FSL lease attachment before attaching it to the Request for Lease Proposal (RLP) and Lease contract. The LS must consult with the tenant agency to determine the appropriate security countermeasures to include, if any.

For FSL I and II, the revisions can be additions only, with no deletions to the base requirements.

For FSL III or IV, the revisions can be additions and/or deletions to the base requirements that are listed on the respective attachments in LDG Chapter 19. A tenant agency can choose to modify the

countermeasures based on an internal assessment of the security requirements. This can be done through a Risk Acceptance Justification signed by the tenant agency using the Facility Security Level Determination Memorandum found at Appendix F of the ISC's publication, *The Risk Management Process: An Interagency Security Committee Standard*, August 2013, (The Standard).

For leases established through other than full and open competition, a new risk assessment is not required, but is recommended.

“Unless there is a change in tenant(s) or mission, this Standard does not apply to renewals, extensions, expansions, superseding leases, and succeeding leases established other than through full and open competition, but is recommended. If there is a change in tenant(s) or mission, this Standard does apply (see Sections 5.2.5 and 5.2.6). Otherwise, for these types of leasing actions the FSL determinations and risk assessments will continue to be done in accordance with the schedule established for the facility.” (The Standard, section 5.2.4, page 28)

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I. FSL LEASE ATTACHMENTS

- A. The FSL I lease attachment contains ISC prescribed base countermeasure requirements which are priced in the shell rent. No countermeasure requirements are BSAC for FSL I. Additional shell items and BSAC requirements are added as the FSL increases (See LDG Chapter 19, Attachment 3).
- B. The FSL II lease attachment contains countermeasures that are both shell and BSAC. Non-shell countermeasures are bid by the offeror pre-award.
- C. The FSL III and IV lease attachments contain countermeasures that are both shell and BSAC. Non-shell items are priced using placeholder BSAC estimates.

II. FSL AND PRICING

- A. FSL I countermeasures are priced as shell items. FSL II countermeasures include both shell items and BSAC items which are priced pre-award using the Security Unit Price (SecUP) list.
- B. Placeholder estimates for FSL III and IV - For FSL III, the placeholder estimate is \$25.00 per ABOA SF and for FSL IV it is \$35.00 per ABOA SF for all property types, including warehouses. These placeholder figures are for the purpose of evaluation of offers to award a lease. **If the entire placeholder amounts are not used for BSAC purposes, the BSAC charge is lowered, which would be reflected in the OA and through a lease amendment as to what was actually spent.** After lease award, these figures are revised to reflect the actual BSAC costs that are negotiated with the Lessor simultaneously with the TI costs (See Lease paragraph 1.12). **Unused BSAC cannot be used for any other purpose or allowance.**

Note: Blue hidden text in the lease documents and lease security attachments cautions that the fully serviced lease rents, including shell, operating cost, TI, and BSAC, cannot exceed the high end of the market rents or the prospectus threshold limit. If the inclusion of the BSAC amount causes the fully serviced lease rent to exceed the high end of the market or prospectus threshold limit, BSAC must then be funded by a lump sum Reimbursable Work Authorization (RWA) from the tenant agency. Although it is not common practice, a tenant agency can use an RWA to pay for BSAC.

Example

Fully serviced lease rate is LESS than high end of market rate:

	PBS Full Service Rate PSF	High End Market Rate PSF
Shell	\$10.00	\$12.00
Operating Cost	\$3.00	\$6.00
TI	\$3.00	---
BSAC	\$1.00	---
Total	\$17.00	\$18.00

Fully serviced lease rate is MORE than high end of market rate; therefore, tenant agency needs an RWA to buy down the fully serviced rate by at least \$1.00 PSF:

	PBS Full Service Rate PSF	High End Market Rate PSF
Shell	\$10.00	\$12.00
Operating Cost	\$3.00	\$6.00
TI	\$3.00	---
BSAC	\$3.00	---
Total	\$19.00	\$18.00

- C. An agency with a higher FSL may create enough risk in a Lessor’s building that it affects the FSL of another agency in that building, requiring that agency to increase their FSL and consequently their BSAC requirements and costs. Such increase in the level of protection is determined by the recommendations of the FPS PSS that are accepted for implementation by the tenant agency or FSC at the facility.
 - a. Project details can vary within a procurement that affects the BSAC requirements and costs. An agency’s security costs and requirements depend on each agency’s specific FSL, the percentage of government occupancy in the building, which agency occupied the building first, and other unique characteristics of each procurement. Therefore, during requirements development and pre-award phases, GSA works with the agency or FSC and the FPS PSS to determine the required countermeasures and who bears the costs.

Example of Multi-Tenant Building with Different FSLs

Agency X is an FSL III and because of its threat assessment, it increases the security risk to the entire building. As a result, agencies occupying or planning to occupy the building may have their FSL increased to an FSL III resulting in the same BSAC requirements as Agency X.

“Moving a higher-risk tenant into a facility already occupied by a government tenant with lower security requirements brings with it inherent challenges in sharing funding, making decisions on accepting risk and responsibility for implementation... Changes to the mission of an existing tenant brings with it even greater challenges in making decisions on accepting risk and responsibility for implementation than moving in a new tenant. The decision to change the mission of an existing tenant – and possibly increase the risks to the facility and the cost for increased security – is typically made solely by the tenant Department or Agency, without input from or consideration for the other tenants.” (The Standard, Section 5.2.5, page 29)

III. BSAC VERSUS TI

- A. When distinguishing between what qualifies as BSAC versus TI, it is important to determine whether the countermeasure is an ISC recommendation as listed on the respective attachments for the FSL, or is required as part of an agency’s specific requirements. Recommendations that are listed on the attachments qualify as BSAC; whereas, agency specific requirements that are in addition to the listed countermeasures for a given FSL, are qualified as TI.

Example of BSAC vs. TI

If vehicle barriers (e.g., bollards, gates, pop-ups) are ISC recommended and accepted by the agency as a countermeasure, they then qualify as BSAC. If ISC does not recommend the vehicle barriers, but the tenant agency requires vehicle barriers, it then qualifies as TI.

Example of an ISC Recommended Countermeasure vs. Tenant Agency’s Specific Security Requirement

ISC’s hazardous materials (HAZMAT) recommendation provides for explosives and/or weapons storage. However, a tenant agency wants a storage shed in their parking lot to house paint cans or gas cans for their all-terrain vehicles (ATVs), which is not considered HAZMAT storage per the ISC. A storage shed for paint and gas cans is the tenant agency’s requirement and is not an ISC recommended countermeasure; therefore, it qualifies as TI.

Example of Upgrading an ISC Recommended Countermeasure

If shatterproof window film is ISC recommended, but the agency specific requirements call for

a shatterproof window film with higher thickness and grade than what is ISC recommended, the change is considered an upgrade to the recommended countermeasure. The cost of the ISC recommended film is covered by BSAC and the remaining delta of the upgraded film is paid by TI.

Example of Replacing an ISC Recommended Countermeasure

If shatterproof window film is ISC recommended, but the agency specific requirements call for bullet resistant material, the change is considered a replacement to the countermeasure. Bullet resistant window protection REPLACES the window film requirement with a material having a different property and functionality than the shatterproof window film. The entire cost of the bullet resistant material qualifies as TI.

B. Security Equipment (SE)

- a. SE can include magnetometers, x-ray machines, closed circuit television (CCTVs), intrusion detection systems (IDS), and duress alarm systems.
- b. If SE is ISC recommended and being provided by the Lessor, it qualifies as BSAC and is included in the total amortized BSAC amount. The amount is then amortized over the firm term of the lease. However, if SE is being provided by FPS, tenant agencies will pay FPS using a Security Work Authorization (SWA). An SWA is a document for agencies to commit their approval and funding to FPS for security work.

Note: For SE only, the Lessor can amortize the BSAC for the entire lease term (instead of the firm term), so long as GSA is not required to pay off the unamortized balance of the BSAC, or any portion thereof, if/when the space is released by GSA. (See Pricing Desk Guide Section 2.9.2.B.)

- c. When the SE is not an ISC recommendation for the respective FSL and only the tenant requires the SE as part of their tenant specific security requirements, the SE must be treated like any Furniture, Fixture and Equipment (FF&E) and paid by a lump sum via RWA. (See LDG Chapter 19, Section 5a)

IV. FSL AND OCCUPANCY AGREEMENTS (OAs)

- A. BSAC is a separate line item on the PBS rent bill. It is important to know that, unlike other rent items, the BSAC charges in the finalized OA are entered at the lease level by National Rent Bill Office (NRBO), not directly in the OA by the OA Tool user. In the bullets below, there are various BSAC scenarios that could occur:

- a. **Single tenant lease** where BSAC amortization is passed through to that tenant agency's PBS rent bill.
- b. **Multiple single tenant leases** in a building where each lease may have a different amortized BSAC amount. Each tenant is billed their specific BSAC amount per their respective lease.
 - i. DO NOT mingle BSAC charges solely because the leases are all in the same building owned by the same Lessor.
 - ii. Different leases in the same building can have different FSLs.
- c. **Multiple tenants in one lease** with the BSAC rate per square foot being passed through to each tenant agency's PBS rent bill uniformly to all tenants.
- d. In limited cases, it is possible for **multiple BSAC rates to be charged to tenants** under a single lease. A likely scenario would be backfill of vacant space that creates a multiple tenant lease occupancy, where that backfill tenant's countermeasures are less or greater than the original lease countermeasures, potentially creating more than one BSAC amount and amortization rate under the lease. Any additional required countermeasures could also be paid for lump sum via RWA.

V. OA TOOL REFERENCES AND BILLING FOR BSAC ENTRIES

- A. When conducting new lease procurements, the BSAC is estimated for purposes of the Pro-Forma OA. Input the estimated amortized BSAC rate (per RSF or as a total annual figure) in the OA Tool Rate Screen by selecting "Building Specific Amortized Capital – Lessor" for the Pro-Forma OA.
 - a. DO NOT use the Cost 1 Screen fields labeled "BSAC Lessor Data" (BSAC Lessor Amount).
 - b. DO NOT select "Building Specific Amortized Capital – GSA" in the OA rate screen, unless the BSAC is funded by GSA from BA54.
- B. Revise BSAC in OA Tool as necessary for customer budget information. OA signature is not required for BSAC increases.
- C. After lease award, when the BSAC costs are ready to be finalized for billing in the OA, adjust the original OA Draft or ProForma BSAC rate back to \$0.00. Then email the NRBO at pbs.nrbo@gsa.gov with the final BSAC rate information (OA number, total BSAC amount,

amortization rate, amortization term, per rentable square foot (RSF) rate, and Lease number). NRBO will enter the BSAC rate per square foot at the "Lease Recovery Level" via a separate OA module. (To view this module, go to the "Utilities" tab at the top of the OA in the OA Tool). Once NRBO enters the BSAC rate per square foot at the "Lease Recovery Level" it will populate the "Building Specific Amortized Capital – Lessor" line in the OA Tool Rates Screen for billing purposes, for the duration of the lease firm term. The users responsible for the above tasks can vary by region.

- a. If there are multiple tenant agencies in one lease, the lease BSAC rate per square foot entered by NRBO at the "Lease Recovery Level" will automatically populate each tenant's OA in the Rate Screen overriding any originally estimated BSAC rate that was input by the OA Tool user.
- b. If a backfill tenant has an additional BSAC charge that will be financed by the Lessor, then the LS documents the agreement (i.e., BSAC amount, amortization rate, and term) in a Lease Amendment. By selecting "Building Specific Amortized Capital – Lessor" on the OA Tool Rates Screen, the new BSAC charge is reflected as a pass through to the backfill tenant. When submitting additional BSAC rates for the backfill tenant to Rent Bill Management (RBM), an NRBO Exception explaining the additional charge is required for approval by NRBO (Refer to the below example for accurate OA Tool input and billing). If the Lessor does not agree to finance the additional BSAC charge, the tenant agency then will have to pay for the additional BSAC charge lump sum via an RWA. For an RWA payment there is no need to modify the BSAC rate on the OA.

Example of Backfill Space and FSLs

A lease with an FSL II contains Agency X having a BSAC rate of \$1.00 per RSF. Agency X later releases and vacates a portion of their space. Agency Y with an FSL III then backfills the vacated space and has an additional countermeasure requirement for its space at a BSAC rate of \$0.35 per RSF.

The \$1.00 per RSF BSAC rate will already be billing the per square foot rate to Agency X. When Agency Y backfills the vacated space, the OA Tool will automatically add the \$1.00 per RSF to Agency Y when the RSF is added in the OA Tool. However, Agency Y also has to fund the additional BSAC rate of \$0.35 per RSF. With the Agency Y OA still in Draft status, the OA Tool user needs to change the \$1.00 per RSF rate to \$1.35 per RSF for Agency Y's OA only. By updating this new BSAC charge in the OA Tool Rates Screen for Agency Y, it will replace the \$1.00 per RSF BSAC rate at the "Lease Recovery Level" and then charge the \$1.35 per RSF. Due to the change in the BSAC rate, an NRBO Exception will need to be approved.

For leasing questions, please contact Justin Hawes (justin.hawes@gsa.gov). For pricing policy questions, please contact Trina Hughes (trina.hughes@gsa.gov). For questions regarding OA Tool, email them to pbs.nrbo@gsa.gov.

CC: PBS NRBO
REGIONAL PORTFOLIO DIRECTORS
REGIONAL PRICING POCs