



February 1, 2018

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

A handwritten signature in blue ink, appearing to read "Allison H. Azevedo".

FROM: ALLISON H. AZEVEDO
ACTING ASSISTANT COMMISSIONER FOR OFFICE OF
LEASING - PR

SUBJECT: LEASING ALERT (LA-FY18-03) – Revised
Succeeding/Superseding Lease Analysis Tool

1. **Purpose.** This Leasing Alert issues a replacement Succeeding Lease Analysis Tool, formerly referred to as the "Succeeding/Superseding Lease Decision Tool." This replacement version contains automated functionality similar to the original version of the decision tool, but takes a more streamlined approach by focusing primarily on the Cost Benefit Analysis (CBA) and due diligence aspects of the original tool.

The Succeeding Lease Analysis Tool enables Planning Managers, Project Managers, Leasing Specialists and/or Lease Contracting Officers (LCOs) to perform early Rough Order of Magnitude (ROM) based analysis to help determine if pursuit of a succeeding lease is financially in the Government's best interest and guide the requirements development and acquisition planning process. The tool also enables the project team to perform a more detailed IGE based cost benefit analysis (CBA) that can be used to support a Justification for Other Than Full and Open Competition (JOTFOC).

Once requirements are developed and responses from the market are received, the LCO and/or designees will use that information to perform the IGE-based analysis to determine, with much greater accuracy, whether pursuit of a succeeding lease makes financial sense. The LCO has the ultimate authority in determining whether or not to attempt to procure a succeeding lease, subject to review and approval levels as outlined in the Leasing Desk Guide. GSA's standard practice continues to be full and open competition. However, it is recognized that in certain situations, procurement of a succeeding lease can be advantageous to the Government.

2. **Effective Date.** This Leasing Alert and attachments are effective immediately for all CBA's completed on or after the signature date.

3. **Cancellation.** None.

4. **Applicability.** This Leasing Alert and its attachments are mandatory for all expiring leases where pursuit of a succeeding/superseding lease based on cost is under consideration.

5. **Instructions and Procedures.** This Leasing Alert, instructions, and attachments are effective for all cost benefit analyses performed on or after the effective date of this Leasing Alert. CBAs performed prior to this date may be modified at the discretion of the LCO.

- Attachment 1, Succeeding/Superseding Lease Analysis Tool

COVER PAGE FOR ATTACHMENT 1

Instructions			
Tab	<u>Rough Order of Magnitude (ROM)</u>	<u>Formal CB Analysis</u>	<u>Other Considerations</u>
Intended Use	Enables a planning manager or lease project team member to run a quick ROM analysis to roughly determine whether pursuit of a succeeding lease is worthwhile. Calculates total contract costs for the current location and an alternate location.	A summary form to input all of the market information of the Lowest Priced Alternative (LPA) and estimates collected to complete a thorough cost benefit analysis in accordance with FAR 8.300 to support a JOTFOC should the LCO decide to go that route. Calculates total contract cost for the current location as well as the LPA.	A checklist of qualitative items that should be considered when we are considering a succeeding lease.
User	Planning/ Project Manager and/or Lease Contracting Officer	Lease Contracting Officer	Planning Manager/ Lease Contracting Officer
Instructions	<p>1.) Populate green boxes in each section. This input will auto-generate values based on your selection.</p> <p>2.) Current Location and Alternate Location Market Data: These are intended to be used if the lease resides in a major market. If the lease does not fall in a major market, click the "Override Market Rates" button to manually input a projected full service rate and a justification for why market rates are not used. Note: Click The "Map It" link to help determine the appropriate market/submarket where applicable.</p> <p>3.) Tenant Improvements Local Construction Index (LCI): Please select the most appropriate LCI for the lease. This will normalize TI costs to the local market.</p> <p>4.) Certain data factors are defaulted but can ultimately be changed based on reasonable market information.</p> <p>5.) For multi-tenant leases, complete a ROM tab for each individual agency and manually sum up the results.</p>	<p>1.) Populate green boxes in each section. This input will auto-generate summary values based on your inputs.</p> <p>2.) Annual Shell Rent Rate: On each side of the sheet, input the applicable annual shell rentable rate per foot and manually account for step rents. There should be an annual shell rentable rate for each year to match the selected total term of the lease. Annual Operating Rate: Enter the Year 1 Operating Rate. This rate will automatically populate to match the selected total term of the lease and escalate based on the entered operating escalation rate.</p> <p>3.) Tenant Improvements: This amount should be inclusive of all TI costs including Security, BSAC, etc. Estimates should be project specific and as detailed as reasonably possible considering all information available at the time the estimates are completed. The estimates in the formal phase are expected to be more detailed and accurate and should not mirror those generated by the ROM CBA. In some cases, it may make sense to complete a formal IGE based on a detailed scope of work.</p> <p>4.) Rent Being Paid in Old Location: This is the total of the rent payments in the old location during the move process after rent has begun at the new location. Costs associated with poor planning are not to be included.</p> <p>5.) For multi-tenant leases, complete a Formal CB Analysis for each individual agency and manually sum up the results.</p>	<p>1.) Choose the appropriate response from the drop down menu for each qualitative item.</p>
Result	Result will show the aggregate cost savings and percent associated with staying in place. The procurement decision is ultimately up to the LCO and this tool is not intended to override that authority in any way.	Result will show the aggregate cost savings associated with staying in place. There is no hurdle rate because it is the LCO's discretion to pursue a succeeding lease if there are substantial cost savings.	These values do not factor quantitatively into the analysis, but are important factors when exploring the viability of a succeeding lease decision.
Sharing	1.) Generate Customer Report: To share the analysis results with a customer, please click the "Generate Customer Report" button at the bottom of the worksheet. This will create a new, shareable workbook. Note: In order to preserve the integrity of sensitive GSA data used by this tool, the new workbook will not include any formulas or background data. Any edits to the analysis will need to be made in the original workbook.	1.) Generate Customer Report: To share the analysis results with a customer, please click the "Generate Customer Report" button at the bottom of the worksheet. This will create a new, shareable workbook. Note: In order to preserve the integrity of sensitive GSA data used by this tool, the new workbook will not include any formulas or background data. Any edits to the analysis will need to be made in the original workbook.	

INTERNAL USE ONLY- Do not send outside of GSA. Use "Generate Customer Report" button at bottom of sheet if sharing with Customer.

Rough Order of Magnitude Cost Benefit Analysis

Green = User Input Required

Current Lease Data

Lease Number	Street Address	City	State	Current Lease USF	Current Lease RSF	Lease Effective Date	Lease Expiration Date	Lease Termination Rights Date
	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A

Current Location

Current Location
 Anticipated Square Footage (ABOA SF)
 AB Code
 Agency Name
 Custom TI Tier Custom TI % Increase
 Reis Market Asking Rate per RSF Effective Rate per RSF
 Reis Submarket \$ - \$
 Reis Rate \$ - \$
 CBRE Market Asking Rate per RSF Effective Rate per RSF
 CBRE Submarket \$ - \$
 CBRE Rate \$ - \$
 Expected Full Service Asking Rate for Succeeding Lease \$ - \$
*Rental payment calculations use Average Asking rates; Effective Rates are provided for information only.

Alternate Location Based on Market Data

Market Average based on REIS and CBRE Data
 Anticipated Square Footage (ABOA SF)
 Reis Market Asking Rate per RSF Effective Rate per RSF
 Reis Submarket \$ - \$
 Reis Submarket (Optional) \$ - \$
 Reis Submarket (Optional) \$ - \$
 Reis Averages \$ - \$
 CBRE Market Asking Rate per RSF Effective Rate per RSF
 CBRE Submarket \$ - \$
 CBRE Submarket (Optional) \$ - \$
 CBRE Submarket (Optional) \$ - \$
 CBRE Averages \$ - \$
 Market Average \$ - \$

Tenant Improvements for Current Location

Local Construction Index (LCI)- State Select State
 LCI- City
 LCI Adjustment to TI
 Agency TI cost per foot (National Average)
 New Phone system Yes (Y) / No (N) Cost* \$0
 Carpet (broadloom) Yes (Y) / No (N) Cost* \$0
 Carpet (tile) Yes (Y) / No (N) Cost* \$0
 VCT Yes (Y) / No (N) Cost* \$0
 Remove Carpet with System Furniture in place Yes (Y) / No (N) Cost* \$0
 Vinyl Wall Base Yes (Y) / No (N) Cost* \$0
 Paint Yes (Y) / No (N) Cost* \$0
 Vinyl Wallcovering Yes (Y) / No (N) Cost* \$0
 Space Planning Yes (Y) / No (N) Cost* \$0
 Programing Yes (Y) / No (N) Cost* \$0
 Government DID's Yes (Y) / No (N) Cost* \$0
 Floor to Floor Furniture & Systems Move Yes (Y) / No (N) Cost* \$0
 Known Unique TI Costs Enter Actual Cost (\$)
 Total ROM TI Cost for Current Location \$0

Tenant Improvements for Alternate Location

Local Construction Index (LCI)- State Select State
 LCI- City
 LCI Adjustment to TI
 Agency TI cost per foot (National Average)
 Known Unique TI Costs Enter Actual Cost (\$)
 Total ROM TI Cost \$0
 E. Move Costs Yes (Y) / No (N) Cost* \$0
 Building to Building Furniture & Systems Move Yes (Y) / No (N) Cost* \$0
 Floor to Floor Furniture & Systems Move Yes (Y) / No (N) Cost* \$0
 Building to Building telephone systems move Yes (Y) / No (N) Cost* \$0
 Known Unique Move or Personal Property Costs (Lump Sum) Enter Actual Costs (\$)
 Total ROM Move Cost for Alternate Location \$0

Rates & Data Factors

Amortization Rate (TI) 0.00%
 Common Area Factor 1.10
 Lease Term (years) Select Term
 Estimated TI Buildout Costs \$0
 Amount to be Amortized
 TI Amortization Term (years) Select Term
 Lump Sum TI Amount

Rates & Data Factors

Amortization Rate (TI) 0.00%
 Common Area Factor 1.10
 Lease Term (years) Select Term
 Estimated TI Buildout Costs \$0
 Amount to be Amortized
 TI Amortization Term (years) Select Term
 Lump Sum TI Amount

Current Location - ROM

Total of Rent Payments Over Term (Excluding TI)	#VALUE!
Total of TI Amortization Payments Over Term	#VALUE!
Lump Sum Portion of TI	#VALUE!
Aggregate Total Project Cost	#VALUE!

Alternate Location Based on Market Data - ROM

Total of Rent Payments Over Term (Excluding TI)	#VALUE!
Total of TI Amortization Payments Over Term	#VALUE!
Lump Sum Portion of TI	#VALUE!
Total Move Cost	\$0
Aggregate Total Project Cost	#VALUE!

Anticipated Succeeding Lease Savings:

#VALUE!

#VALUE!

Note: GSA's default position for all lease procurements is Full and Open Competition. Procurements using Other Than Full and Open Competition should be only pursued only when comparatively significant savings are shown, as outlined under GSAM 570.104 and FAR 6.302-1(a)(2)(ii)(A) ["Substantial duplication of cost to the Government that is not expected to be recovered through competition."]. While there is no established standard or hurdle rate for the level of anticipated cost savings required, a minimum figure of 20% is a good indicator for project teams to use when working with client agencies in outlining preliminary procurement strategies. Project teams, in consultation with the LCD, should also take into consideration other factors such as mission requirements, location policy, anticipated competition, existing space conditions, past performance, and similar due diligence information before finalizing any lease procurement strategies.

Generate Customer Report

INTERNAL USE ONLY- Do not send outside of GSA. Use "Generate Customer Report" button at bottom of sheet if sharing with Customer.

Formal Cost Benefit Analysis				
Project Number	Agency	Date Prepared	City	State

Current Location			Lowest Priced Alternative		
Address			Address		
Square Footage (ABOA SF)			Square Footage (ABOA SF)		
Common Area Factor			Common Area Factor		
RSF			RSF		
Total Term (Years)			Total Term (Years)		
Total Contract Shell (from table)			Total Contract Shell (from table)		
Operating Rate Escalation			Operating Rate Escalation		
Total Contract Operating (from table)			Total Contract Operating (from table)		
Total Contract Parking Cost			Total Contract Parking Cost		
Total Rental Payments over Term			Total Rental Payments over Term		
Annual Rent Input Table			Annual Rent Input Table		
Annual Shell Rent Rate (pRSF)	Annual Operating Rate (pRSF)	Year	Annual Shell Rent Rate (pRSF)	Annual Operating Rate (pRSF)	
		1			
		2			
		3			
		4			
		5			
		6			
		7			
		8			
		9			
		10			
		11			
		12			
		13			
		14			
		15			
		16			
		17			
		18			
		19			
		20			

Tenant Improvements for Current Location	
Estimate Date	
Estimate Total	
Amount to be Amortized	
Lump Sum TI Amount	\$0.00
Amortization Rate	
Amortization Term	
Total of TI Amortization Payments	

Tenant Improvements for Lowest Priced Alternative	
Estimate Date	
Estimate Total	
Amount to be Amortized	
Lump Sum TI Amount	\$0.00
Amortization Rate	
Amortization Term	
Total of TI Amortization Payments	

Furniture Costs	
Estimate Date	
Cost based on Estimate	

Furniture Costs	
Estimate Date	
Cost based on Estimate	

Move Costs	
Estimate Date	
Cost based on Estimate	\$0.00

Move Costs	
Estimate Date	
Cost based on Estimate	
Rent Being Paid in Old Location during Move	\$0.00

Summary - Current Location - OFFER/ Estimate	
Total of Rent Payments Over Term	\$0.00
Total of TI Amortization Payments Over Term	
Lump Sum Portion of TI	\$0.00
Furniture Costs	\$0.00
Total Move Costs	\$0.00
Aggregate Total Project Cost of Current Location	\$0.00

Summary - Lowest Priced Alternative - OFFER/Estimate	
Total of Rent Payments Over Term	\$0.00
Total of TI Amortization Payments Over Term	
Lump Sum Portion of TI	\$0.00
Furniture Costs	\$0.00
Total Move Costs	\$0.00
Rent Being Paid in Old Location during Move	\$0.00
Aggregate Total Project Cost of Lowest Priced Alternative	\$0.00

Aggregate Cost Savings associated with Staying in Place	\$0
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Note: If the aggregate cost savings associated with staying in place is positive and substantial enough based on the LCO's discretion, this CBA is intended to support a JOTFOC based on GSAM 570.104 and FAR 6.302-1(a)(2)(ii)(A). (A) "Substantial duplication of cost to the Government that is not expected to be recovered through competition."



Prepared By:

Date:

Other Considerations		
Contractual Updates		
ABAAS	Response	Notes
Is the current lease in compliance with the Architectural Barriers Act Accessibility Standard (ABAAS)?		
Security	Response	Notes
Is the lease in full compliance with the most recent Security Standards consistent with the agency's facilities security level?		
Fire	Response	Notes
Does the current building comply with the most recent edition of the building and fire code adopted by the jurisdiction in which the building is located?		
Does the current building comply with the applicable egress requirements in the National Fire Protection Association (NFPA) 101, Life Safety Code (current as of the award date of this lease)?		
Did the IRIS Safety Assessment System identify any fire or life safety issues?		
Seismic Safety	Response	Notes
Has the Lessor provided a Seismic Certificate establishing that the offered building complies with the Seismic Standards or include a commitment to renovate the building to comply with the Seismic Standards prior to delivery of the space?		
Environmental Considerations		
Environmental	Response	Notes
Does the current building fall within the 100 year or 500 year flood plain?		
Past Performance Considerations		
Tenant Satisfaction Survey	Response	Notes
In what year was the most recent Tenant Satisfaction Survey administered?		
If this building was surveyed, please enter the overall satisfaction percentage for the most recent year surveyed.		
Number of Respondents		
Field Office Review	Response	Notes
General response of owner/lessor to building problems and complaints?		
Any owner/management/janitorial contract changes that would cause you to have concerns regarding the current level of services?		
General condition of current carpet?		
Condition of any roof and leakage problems that have occurred during the term of the lease.		
HVAC/System concerns and performance issues that have been raised or are present in the space		
Any lease enforcement issues, deficiencies or lease default actions?		
Has all required work been completed and done satisfactorily?		
Additional Comments		
Agency Considerations		
Agency	Response	Notes
Have you received requirements?		
Is the customer agency (facilities representative) overall satisfied at their current location?		
Is the customer agency (local representative) overall satisfied at their current location?		
Is the customer agency requesting a change in square footage requirements?		
Do you anticipate Congressional issues?		
Additional Comments		
Lease Considerations		
Lessor	Response	Notes
Has the ownership of the lease changed?		
Is the lessor responsive to issues in the current location?		