



Date: AUG 24 1984

(PRL-84-14)

Reply to  
Attention of: Leasing Division - PRL

Subject: Lease Awards Obligating Rental Payments for Unoccupied Space  
and Uniform Maintenance Responsibilities within a Leased Building

To: All Real Property Leasing Activities (PRL Distribution List)

1. Purpose.

- a. To establish guidelines and levels of approval relative to the justification required to award a lease with a fixed date for commencement of rental payments prior to occupancy.
- b. To remind real property leasing activities of the desirability of keeping services, maintenance, and utility responsibilities consistent in the same facility.

2. Background.

- a. A recent review of one of our more complex lease projects, involving extensive tenant alterations, revealed several problems which could have been avoided through better tenant-GSA-lessor coordination and more careful attention to contractual details.

The subject contract called for the acquisition of additional space adjacent to an existing facility and established a fixed date for commencement of rental payments. Space was acquired as a "shell" with the knowledge that extensive alterations, including utility hook-ups, would be required and that completion and occupancy could not be effected prior to the contract date for commencement of rent. Various circumstances dictated that such terms represented the only viable alternative available to satisfy tenant space needs. As a result, rent commenced and occupancy was delayed for almost a year pending preparation of the space.

- b. At the same facility, space was acquired in increments with differing lessor responsibilities. The blocks of space range from fully serviced to net leases. This situation has made it difficult for GSA field personnel to effectively manage the space and ensure that the lessor is meeting the terms of the leases in this building.

3. Coverage. All real property leasing activities.

#### 4. Procedures.

- a. It has been and continues to be our policy that space be "fully usable" by the tenant agency prior to the commencement of rent. However, there may be a limited number of cases where circumstances so dictate that the Government must enter into a contract even though it establishes a date for commencement of rental payment which precedes the completion of alterations and occupancy by the Government tenant.

For example, in a tight market situation, an agency under an existing lease may have a need for expansion space. Upon completion of a cost analysis, it may prove to be more cost effective to satisfy this requirement at the agency's existing location rather than competitively soliciting new space. In situations such as this, if the lessor requires that the space be leased by a certain date and there is not sufficient time for the Government to make the space readily usable for the tenant agency, it can be demonstrated that contract for the space which will remain unoccupied for a period of time after commencing rental payments still represents the best course of action. A similar case could occur for new space which is offered on an "as is" basis with the lease term commencing on a specified date. This space may be the only block suitable to meet the agency's requirements.

A written justification will be prepared for any lease contract which will obligate the Government to commence rental payment by a specified date when the contracting officer has knowledge at the time of the award that this will result in the Government paying for unoccupied space. The Assistant Regional Administrator must approve the justification prior to award.

- b. In developing the service and maintenance requirements for additional space to be leased in a building where the Government already occupies space, the leasing specialist must incorporate, if at all possible, similar requirements to assist in GSA's management of the space. In any case, a single current specification outlining these responsibilities must be used if the Government occupancy is extended beyond the expiration date of the various leases.

5. Implementing instructions. Applicable to actions initiated by the regional leasing branches after the date of this memorandum.

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