

Policies / Procedures for Free Space in a Lease

1. General. The policies in this RSL must be applied in all space procurements where free space is offered as a portion of the total leased space.
 - a. When space in excess of a stated space requirement is offered for free prior to award of a lease, the tenant agency must either 1) agree to accept the extra free space and sign an Occupancy Agreement (OA) for the actual square footage, or 2) reject the free space. If the customer agency accepts the free space, the rent for the total square footage, including the free space, will be assessed on the rent bill, with the overall rate blended over the entire square footage (free and leased). When creating the OA with free space, the responsible GSA associate must enter the full amount of space –including free space square footage, and include the free space adhoc clause as part of the OA. The clause contains a narrative accounting for the presence of free space. This is explained in greater detail in Pricing Policy Clarification #22 and in Instructions – Free Space in a Leased Location OATool and STAR. If the customer agency rejects the free square footage, the Offeror must show that the free space will be partitioned off from the leased space.
 - b. When offered, Contracting Officers, Realty Specialists, and Broker Partners must advise the Offeror that any space offered as free will not be considered during negotiations, will not be evaluated as part of price evaluations, and will not be considered a factor in lease award.
2. The Lease.
 - a. The Realty Specialist must clearly indicate in the lease contract that for the purposes of all rental calculations, all space offered as free is excluded from tenant improvements, operating costs, overtime utility rates, CPI escalations, and percentage of occupancy for tax escalations. The Realty Specialist must also include in the contract that maintenance of free space be provided at no additional costs to the Government.
 - b. When incorporating free space into the lease, the entire square footage of the free portion of space must be clearly cited on the SF2 (both in Rentable and ANSI/BOMA Office Area).
 - c. To document free space in the SF2, the following language is suggested for use:

“xxx,xxx rentable square feet of [office/warehouse] and related space, which yields xxx,xxx ANSI/BOMA Office Area square feet of space **and** an additional xxx rentable square feet (yielding xxx ANSI/BOMA Office Area SF) of free space (for which the Government will not be charged rent, including real estate taxes and operating cost escalations) in excess of the total xxx,xxx rentable/xxx,xxx ANSI/BOMA square footage indicated above, for a total of yyy,yyy rentable square feet, (yielding yyy,yyy usable square feet) under lease, at *Building Name and Address*”.
3. Lease Rider. The lease agreement must specifically state that “All rights, responsibilities, and obligations that bind the Lessor and Government under this lease agreement, including the General Clauses, and any other attachments hereto, shall pertain to the entire space under lease, including the free space.”

4. Tenant Improvement Allowance. The Realty Specialist must not increase the TI allowance to cover build out for any portion of space identified as free under the lease agreement. All space designs and floor plans must clearly delineate all areas identified as free under the lease agreement, as situated in relation to the demised leased space under rent, copies of which must be maintained in the lease file.
5. Lease Metrics. For the purposes of lease metrics (i.e., Lease Cost Relative to Market, etc.), all leases containing free space must be noted as such when reporting on the particular lease in question. When National Office adjudicates a lease in relation to the LCRM, all free square footage will be deducted out of the lease, and not considered a component for adjudication.
6. Release of Space. If the customer agency accepts the free space, and during the term of the lease decides to return space to GSA, an amount of square footage up to the total free space square footage must be returned first, with no rental adjustment, before any space under rent can be released. This will apply even if the physical space that was initially counted as free remains in the tenant's possession, in accordance with Pricing Policy Clarification #22 and the free space OA clause.
7. Scoring. When submitting a lease containing free space to Portfolio for a scoring analysis, the Realty Specialist must exclude all free space square footage from scoring calculations.
8. Prospectus Leases. When free space is offered as part of prospectus lease procurements, Realty Specialists must consult with their regional Portfolio office. The regional Portfolio office will obtain guidance from the National Real Property Asset Management office prior to accepting free space for such leases.