

May 13, 2005

PQ-2005-05

MEMORANDUM TO ASSISTANT REGIONAL ADMINISTRATORS, PBS
1P, 2P, 3P, 4P, 5P, 6P, 7P, 8P, 9P, 10P, WP
REGIONAL REALTY SERVICES OFFICERS

THRU: ANTHONY COSTA (signed)
DEPUTY COMMISSIONER, PBS - PD

FROM: CRISTOPHER REUTERSHAN (signed)
INTERIM ASSISTANT COMMISSIONER FOR OFFICE OF
NATIONAL CUSTOMER SERVICES MANAGEMENT - PQ

SUBJECT: Lease SFO Revisions for National Broker Contract

1. Purpose. This Realty Services Letter (RSL) revises paragraphs in the solicitation for offers SFO and issues recommended lease language to reflect the requirements of the National Broker Contract (NBC).
2. Background.
 - a. On October 4, 2004, GSA awarded contracts to four national broker firms to provide GSA with comprehensive lease acquisition services. On April 1, 2005, GSA issued a Notice to Proceed to these four firms.
 - b. Unlike previous zonal and regional broker contracts where the government paid broker firms for the services they provided, the NBC is a "no cost" contract. Each broker contractor will receive compensation through broker commissions negotiated with and collected from the successful Offeror/Lessor. The contract also requires each broker firm to forgo a percentage of their commission, to be applied against the Government's rental obligation to the Lessor. Each broker contract has a pre-established commission credit percentage figure.
 - c. For each lease transaction using an NBC broker, differences among the commissions offered will affect the resulting commission credit to GSA's rental payments. Therefore, the commission credit must be included as part of the Present Value Analysis (PVA) of offers. GSA has developed a PVA spreadsheet that calculates the effect of the commission credit.
 - d. Revised SFO language has been developed to communicate the effect of the commission credit on the PVA.
 - e. Certain price information for each transaction involving the NBC must be stated on the SF-2 of the lease contract. This includes the actual commission paid by the Lessor to the broker, the amount of commission credit, and the resulting effect on the lease rental payments. Suggested language is included.

3. Effective Date/Expiration Date. These instructions are effective immediately and will expire 12 months from the date of issuance, unless extended. Specialists shall apply these instructions for ongoing acquisitions as appropriate.
4. Cancellation. None.
5. Applicability. All real property leasing activities.
6. Instructions/Procedures. Detailed guidance is included as Attachment 1. The following is a summary of attachments:
 - a. Attachment 1 – Lease SFO and SF-2 Guidance for NBC
 - b. Attachment 2 – NBC Revised SFO Paragraphs
 - c. Attachment 3 – SF-2 Lease Language for NBC Leases

Attachments

Lease SFO and SF-2 Guidance for NBC

1. Solicitations.

- a. All solicitations issued on behalf of GSA by any of the National Broker Contract (NBC) firms shall include the revised solicitation for offers (SFO) paragraphs entitled *Broker Commission and Commission Credit (MAY 2005)*, *Negotiations (MAY 2005)*, and *Price Evaluation (Present Value) (MAY 2005)*.
- b. The revised SFO paragraphs are included as Attachment 2.

2. SF-2 and Supplemental Lease Agreement.

- a. The SF-2 , *U. S. Government Lease for Real Property*, shall identify the total commissions negotiated by the broker as both a percentage figure and a total dollar amount.
- b. The Commission Credit shall also be identified as both a percentage and a dollar amount, along with the resulting effect on the monthly lease rental payments. The Commission Credit shall be taken at the commencement of the lease, not later in the term. When the credit will exceed one month's shell rent, the credit shall be spread equally over as few months as possible without taking more than the monthly shell rent for each month.
- c. The GSA Form 276, Supplemental Lease Agreement (SLA), identifying the actual terms of the lease, shall identify any changes to the commissions to be collected by the broker and commission credits applied against the shell rent should the rent change due to such factors as adjustments to amortized build-out costs or change in square footage.
- d. Suggested language for the SF-2 is included as Attachment 3. While the actual language proposed is not mandatory, the requirement to identify the commission and credit in the SF-2 and the initial SLA (in instances of changes) is mandatory.

3. Price Evaluation Procedures.

National Office has developed a spreadsheet to be used when performing present value analysis of offers. This spreadsheet was initially distributed to the national broker firms during the NBC Orientation session held in Washington, DC in March 2005. The spreadsheet was subsequently updated.