

RE: Funding Emergency Law Enforcement Authorities**Saltalamachea, Michael** (b)(6)

Mon 6/15/2020 10:26 AM

To: (b)(6)

1 attachments (69 KB)

Law Enforcement Authority Appropriations Analysis (6-15-20).docx;

Suggested edits and one comment (b)(5)

(b)(5)

Michael H. Saltalamachea
Deputy Associate General Counsel for General Law
Office of the General Counsel, General Law
U.S. Department of Homeland Security

(b)(6)

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From: (b)(6)**Sent:** Saturday, June 13, 2020 9:04 PM**To:** Saltalamachea, Michael (b)(6)**Subject:** RE: Funding Emergency Law Enforcement Authorities

Mike,

If you have not started edits yet, here is a more recent version for version control. It still needs a couple of

(b)(5)

If you already have some edits in, no worries. I will combine what you have with the final draft and recirculate. Also, unless you want to, I do not need edits tonight. I will probably finish this sometime tomorrow for Monday morning.

Thanks,

(b)(6)

Office of the General Counsel
Desk: (b)(6)
Mobile (b)(6)

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From: Saltalamachea, Michael (b)(6)
Sent: Saturday, June 13, 2020 9:41 AM
To: (b)(6)
Cc: Swartz, Neal (b)(6)
Subject: Re: Funding Emergency Law Enforcement Authorities

(b)(6)

I think is good (b)(5) For some reason I am not getting able to get on the network from the farm so I will make some suggested edits this evening. But this is very good under the current circumstances.

Mike

Michael H. Saltalamachea
Deputy Associate General Counsel for General Law
Office of the General Counsel

(b)(6)

From: (b)(6)
Sent: Friday, June 12, 2020 10:52:42 PM
To: Saltalamachea, Michael (b)(6)
Cc: (b)(6)
Subject: Funding Emergency Law Enforcement Authorities

Mike,

This is still a bit rough, and I need to (b)(5)
(b)(5) I would be interested to know what you think and what questions you have.

Thanks,

(b)(6)

(b)(6)

Acting Assistant General Counsel for Appropriations and Fiscal Law
Office of the General Counsel
U.S. Department of Homeland Security

Desk: (b)(6)

Mobile

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RE: Warning Order: Civil Unrest Support

Saltalamachea, Michael (b)(6)

Tue 6/30/2020 5:46 PM

To: Swartz, Neal (b)(6)

Also, do you know if the (b)(5) we discussed this morning with (b)(6)?

Michael H. Saltalamachea
Deputy Associate General Counsel for General Law
Office of the General Counsel, General Law
U.S. Department of Homeland Security

(b)(6)

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From: Saltalamachea, Michael (b)(6)**Sent:** Tuesday, June 30, 2020 5:39 PM**To:** Swartz, Neal (b)(6)**Subject:** Re: Warning Order: Civil Unrest Support

Will do.

Michael H. Saltalamachea
Deputy Associate General Counsel for General Law
Office of the General Counsel

(b)(6)

From: Swartz, Neal (b)(6)**Sent:** Tuesday, June 30, 2020 5:38:53 PM**To:** Saltalamachea, Michael (b)(6)**Subject:** RE: Warning Order: Civil Unrest Support

Why don't you draft (b)(5) and we can run it by (b)(6).

Thank you,
Neal

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RE: DRAFT LE Authority for Protection of Federal Property for Component Counsel

Saltalamachea, Michael

(b)(6)

Tue 6/30/2020 11:14 PM

To: (b)(6)

(b)(6)

I think this works – I made a couple of suggested edits in red below – with or without those edits, please send to Neal and copy me. (b)(5)

(b)(5)

Mike

Michael H. Saltalamachea
Deputy Associate General Counsel for General Law
Office of the General Counsel, General Law
U.S. Department of Homeland Security

(b)(6)

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Duplicate

RE: Law Enforcement Response for Protection of Federal Property and Monuments

Saltalamachea, Michael (b)(6)

Wed 7/1/2020 4:01 PM

To: (b)(6)

(b)(5)

Michael H. Saltalamachea
Deputy Associate General Counsel for General Law
Office of the General Counsel, General Law
U.S. Department of Homeland Security

(b)(6)

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From: (b)(6)

Sent: Wednesday, July 1, 2020 3:59 PM

To: Saltalamachea, Michael (b)(6)

Subject: FW: Law Enforcement Response for Protection of Federal Property and Monuments

This is the (b)(5) right?

(b)(5)

(b)(6)

Office of the General Counsel

Desk: (b)(6)

Mobile: (b)(6)

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Law Enforcement Authority to Protect Federal Property

(b)(6)

Thu 7/16/2020 2:26 PM

To: Swartz, Neal (b)(6)

Cc: Saltalamachea, Michael (b)(6)

 1 attachments (112 KB)

Law Enforcement Authority Appropriations Analysis (final).docx;

Gentlemen,

(b)(5)

(b)(5)

Otherwise, I will give this a final read through for typos, etc.

Thanks,

(b)(6)

(b)(6)

Acting Assistant General Counsel for Appropriations and Fiscal Law

Office of the General Counsel

U.S. Department of Homeland Security

Desk: (b)(6)

Mobile: (b)(6)

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Re: Oregon AG request to interview FPS Regional Director

(b)(6)

Tue 7/21/2020 2:23 PM

To: Swartz, Neal (b)(6) Havranek, John (b)(6)

(b)(6) ; Browne, Rene (b)(6)

Cc: Gereski Jr, John (b)(6) Saltalamachea, Michael (b)(6) (b)(6)

(b)(6)

(b)(6) (b)(6)

Thanks, Neal. The proposed plan of action makes sense to me.

From: Swartz, Neal (b)(6)**Sent:** Tuesday, July 21, 2020 2:20:22 PM**To:** Havranek, John (b)(6) (b)(6) Browne, Rene

(b)(6)

Cc: Gereski Jr, John (b)(6) Saltalamachea, Michael

(b)(6) (b)(6)

(b)(6) (b)(6)

(b)(6)

Subject: RE: Oregon AG request to interview FPS Regional Director

Just realized (b)(6) was not on the e-mail.

Thank you,
Neal

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From: Swartz, Neal**Sent:** Tuesday, July 21, 2020 1:41 PM**To:** Havranek, John (b)(6) (b)(6) Browne, Rene

(b)(6)

Cc: Gereski Jr, John (b)(6) Saltalamachea, Michael

(b)(6) (b)(6)

(b)(6) (b)(6)

(b)(6)

Subject: RE: Oregon AG request to interview FPS Regional Director*Attorney-Client and Deliberative Process Privileged*

(b)(5)

Rene?

Thank you,
Neal

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From: Havranek, John (b)(6)
Sent: Tuesday, July 21, 2020 1:34 PM
To: (b)(6) Browne, Rene (b)(6) Swartz, Neal
(b)(6)
Cc: Gereski Jr, John (b)(6) Saltalamachea, Michael
(b)(6)
(b)(6) (b)(6)
(b)(6) (b)(6) (b)(6)
(b)(6)
Subject: RE: Oregon AG request to interview FPS Regional Director

(b)(6)

(b)(5)

John

John F. Havranek
DHS Office of the General Counsel

(b)(6) Work
(b)(6) Cell

From: (b)(6)
Sent: Tuesday, July 21, 2020 12:56 PM
To: Havranek, John (b)(6) Browne, Rene (b)(6) Swartz, Neal
(b)(6)
Cc: Gereski Jr, John (b)(6) Saltalamachea, Michael
(b)(6)
(b)(6) (b)(6)
(b)(6) (b)(6) (b)(6)
(b)(6)
Subject: RE: Oregon AG request to interview FPS Regional Director

(b)(5)

We would propose the following and appreciate everyone's concurrence or nonoccurrence. If we need to have another brief phone conference to discuss, please let me know and I will set it up.

(b)(5)

Thanks

(b)(6) Attorney Advisor - Federal Protective Service

(b)(6) (office)

(cell)

(fax)

(b)(6)

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From: Havranek, John (b)(6)

Sent: Monday, July 20, 2020 6:09 PM

To: Browne, Rene (b)(6) Swartz, Neal

(b)(6)

Cc: Gereski Jr, John (b)(6) Saltalamachea, Michael

(b)(6)

Subject: RE: Oregon AG request to interview FPS Regional Director

I like it when (b)(6) participates as she always has good advice.

John F. Havranek

DHS Office of the General Counsel

(b)(6)

Work

Cell

From: Browne, Rene (b)(6)

Sent: Monday, July 20, 2020 5:46 PM

To: (b)(6) Swartz, Neal (b)(6) Havranek, John

(b)(6)

(b)(6)

Cc: Gereski Jr, John (b)(6) Saltalamachea, Michael (b)(6)

Subject: RE: Oregon AG request to interview FPS Regional Director

I'd also like to include (b)(6). She may not be able to join, but please include her on the invite (or I can forward).

From: (b)(6)

Sent: Monday, July 20, 2020 5:44 PM

To: Swartz, Neal (b)(6) Havranek, John (b)(6) Browne, Rene

(b)(6)

Cc: Gereski Jr, John (b)(6) Saltalamachea, Michael (b)(6)

Subject: RE: Oregon AG request to interview FPS Regional Director

I have reached out but have not heard back yet. I'll follow up again.

Thanks

(b)(6) Attorney Advisor - Federal Protective Service

(b)(6) (office)

(cell)

(fax)

(b)(6)

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From: Swartz, Neal (b)(6)

Sent: Monday, July 20, 2020 5:43 PM

To: Havranek, John (b)(6) Browne, Rene (b)(6)

(b)(6)

Cc: Gereski Jr, John (b)(6) Saltalamachea, Michael

(b)(6)

Subject: RE: Oregon AG request to interview FPS Regional Director

Yes can do. (b)(6) is out. (b)(6) was reaching out to the DOJ/OIG POC to find out what they want us to do, and (b)(6) is aware.

Thank you,
Neal

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From: Havranek, John (b)(6)

Sent: Monday, July 20, 2020 5:40 PM

To: Browne, Rene (b)(6) Swartz, Neal (b)(6)

(b)(6)

6/9/2021

(b)(6)

Cc: Gereski Jr, John <(b)(6)>

Subject: RE: Oregon AG request to interview FPS Regional Director

Sounds like we have a quorum. I will send out an invite and include Neal and (b)(6)

John F. Havranek

DHS Office of the General Counsel

(b)(6)

Work

Cell

From: Browne, Rene <(b)(6)>

Sent: Monday, July 20, 2020 5:39 PM

To: Havranek, John <(b)(6)> Swartz, Neal <(b)(6)>

(b)(6)

Cc: Gereski Jr, John <(b)(6)>

Subject: RE: Oregon AG request to interview FPS Regional Director

9:00 AM tomorrow works for me.

From: Havranek, John <(b)(6)>

Sent: Monday, July 20, 2020 5:31 PM

To: Browne, Rene <(b)(6)> Swartz, Neal <(b)(6)>

(b)(6)

Cc: Gereski Jr, John <(b)(6)>

Subject: Oregon AG request to interview FPS Regional Director

Folks,

I just spoke with Joe and he would like us to circle the wagons to discuss the request from the Oregon AG to interview the FPS Regional Director. I am not sure of the urgency on this, but would like to get a call together tomorrow to discuss. Does 9:00 tomorrow morning work?

John

John F. Havranek

DHS Office of the General Counsel

(b)(6)

Work

Cell

RE: ADA emergency exception/DOJ funding update**Marcott, Stacy** (b)(6)

Fri 6/12/2020 5:48 PM

To: Swartz, Neal (b)(6)**Cc:** Saltalamachea, Michael (b)(6) (b)(6) Mehringer, Holly (b)(6)

Neal, thanks for the call earlier today. (b)(5)

(b)(5)

(b)(5) Stacy

From: Swartz, Neal (b)(6)**Sent:** Friday, June 12, 2020 9:18 AM**To:** Marcott, Stacy (b)(6)**Cc:** Saltalamachea, Michael (b)(6)

Mehringer, Holly (b)(6) Edgar, Troy (b)(6)

Subject: RE: ADA emergency exception/DOJ funding update*Attorney-Client and Deliberative Process Privileged*

Stacy,

(b)(5)

Mike, (b)(6) and I are available today to discuss with you in further detail.

Thank you,
Neal~~*** Warning *** Attorney/Client Privilege *** Attorney Work Product ***~~~~This message and any attachments may contain attorney-client communications, attorney work product, and agency deliberative communications, all of which may be privileged and not subject to disclosure outside the agency or to the public. Please consult with the Department of Homeland Security, Office of General Counsel before disclosing any information contained in this email.~~**From:** Marcott, Stacy (b)(6)**Sent:** Friday, June 12, 2020 9:13 AM**To:** Swartz, Neal (b)(6)**Cc:** Saltalamachea, Michael (b)(6)

Mehringer, Holly (b)(6) Edgar, Troy (b)(6)

Subject: RE: ADA emergency exception/DOJ funding update

Hi Neal, please forgive me on this one. Please remind me on how we closed this out. (b)(5)

(b)(5) Stacy

From: Swartz, Neal (b)(6)**Sent:** Wednesday, June 3, 2020 8:27 AM**To:** Marcott, Stacy (b)(6)

6/9/2021

(b)(6)

Cc: Saltalamachea, Michael (b)(6)

Subject: ADA emergency exception/DOJ funding update

Stacy,

(b)(5)

May we get back with you later this am or early afternoon to discuss next steps?

Thank you,

Neal

Cell: (b)(6)

Sent from my DHS iPad

~~*** Warning *** Attorney/Client Privilege *** Attorney Work Product~~

(b)(7)(E)

RE: Funding Emergency Law Enforcement Authorities

(b)(6)

Mon 6/15/2020 12:28 AM

To: Saltalamachea, Michael (b)(6) 1 attachments (69 KB)

Law Enforcement Authority Appropriations Analysis (MHS).docx;

Mike,

I like these changes, and have accepted all of them. (b)(5)

(b)(5)

(b)(5) If you like it, and have no further edits, I think we can send it to Neal to review.

Thanks,

(b)(6)

(b)(6)

Office of the General Counsel

Desk: (b)(6)

Mobile: (b)(6)

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From: Saltalamachea, Michael (b)(6)**Sent:** Sunday, June 14, 2020 11:53 AM**To:** (b)(6)**Subject:** RE: Funding Emergency Law Enforcement Authorities

(b)(6)

I made some edits, added some content (b)(5)

(b)(5)

Mike

Michael H. Saltalamachea
Deputy Associate General Counsel for General Law
Office of the General Counsel, General Law
U.S. Department of Homeland Security

(b)(6)

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From: Saltalamachea, Michael
Sent: Saturday, June 13, 2020 9:05 PM
To: (b)(6)
Subject: RE: Funding Emergency Law Enforcement Authorities

Good timing – literally was just starting – just got (b)(6)

Michael H. Saltalamachea
Deputy Associate General Counsel for General Law
Office of the General Counsel, General Law
U.S. Department of Homeland Security

(b)(6)

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From: (b)(6)
Sent: Saturday, June 13, 2020 9:04 PM
To: Saltalamachea, Michael (b)(6)
Subject: RE: Funding Emergency Law Enforcement Authorities

Mike,

If you have not started edits yet, here is a more recent version for version control. It still needs a couple of (b)(5) If you already have some edits in, no worries. I will combine what you have with the final draft and recirculate. Also, unless you want to, I do not need edits tonight. I will probably finish this sometime tomorrow for Monday morning.

Thanks,

(b)(7)(E)

(b)(6)

(b)(6)

Office of the General Counsel

Desk: (b)(6)

Mobile: (b)(6)

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From: Saltalamachea, Michael (b)(6)**Sent:** Saturday, June 13, 2020 9:41 AM**To:** (b)(6)**Cc:** Swartz, Neal (b)(6)**Subject:** Re: Funding Emergency Law Enforcement Authorities

(b)(6)

I think is good (b)(5) For some reason I am not getting able to get on the network from the farm so I will make some suggested edits this evening. But this is very good under the current circumstances.

Mike

Michael H. Saltalamachea

Deputy Associate General Counsel for General Law

Office of the General Counsel

(b)(6)

From: (b)(6)**Sent:** Friday, June 12, 2020 10:52:42 PM**To:** Saltalamachea, Michael (b)(6)**Cc:** Swartz, Neal (b)(6)**Subject:** Funding Emergency Law Enforcement Authorities

Mike,

This is still a bit rough, and I need to (b)(5)

(b)(5)

I would be interested to know what

you think and what questions you have.

Thanks,

(b)(6)

(b)(6)

Acting Assistant General Counsel for Appropriations and Fiscal Law

Office of the General Counsel

U.S. Department of Homeland Security

Desk: (b)(6)

Mobile: (b)(6)

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RE: 40 U.S.C. 1315

(b)(6)

Tue 6/16/2020 5:06 PM

To: Gereski Jr, John (b)(6)**Cc:** (b)(6) Saltalamachea, Michael (b)(6)

(b)(6)

John,

Many thanks.

(b)(6)

(b)(6)

Office of the General Counsel

Desk: (b)(6)

Mobile: (b)(6)

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From: Gereski Jr, John (b)(6)**Sent:** Tuesday, June 16, 2020 5:05 PM**To:** (b)(6)**Cc:** (b)(6) Saltalamachea, Michael (b)(6)

(b)(6)

Subject: FW: 40 U.S.C. 1315

(b)(6)

(b)(5)

(b)(5)

John G

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From: (b)(6)**Sent:** Friday, June 12, 2020 12:35 PM**To:** Gereski Jr, John (b)(6)**Cc:** (b)(6) Saltalamachea, Michael (b)(6)**Subject:** 40 U.S.C. 1315

John,

I just wanted to touch base. (b)(5)

(b)(5)

Thanks,

(b)(6)

(b)(6)

Acting Assistant General Counsel for Appropriations and Fiscal Law

Office of the General Counsel

U.S. Department of Homeland Security

Desk: (b)(6)

Mobile: (b)(6)

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RE: Use of Departmental Appropriations to Pay for Law Enforcement Response in Emergency Situations

(b)(6)

Wed 6/17/2020 3:13 PM

To: Swartz, Neal (b)(6)

Cc: Saltalamachea, Michael (b)(6)

Neal,

(b)(5)

Thanks,

(b)(6)

(b)(6)

Office of the General Counsel

Desk: (b)(6)

Mobile: (b)(6)

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From: Swartz, Neal (b)(6)**Sent:** Wednesday, June 17, 2020 2:57 PM**To:** (b)(6)**Cc:** Saltalamachea, Michael (b)(6)**Subject:** RE: Use of Departmental Appropriations to Pay for Law Enforcement Response in Emergency Situations

(b)(6)

(b)(5)

Thank you,
Neal

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From: (b)(6)
Sent: Tuesday, June 16, 2020 5:31 PM
To: Swartz, Neal (b)(6)
Cc: Saltalamachea, Michael (b)(6)
Subject: RE: Use of Departmental Appropriations to Pay for Law Enforcement Response in Emergency Situations

Neal,

(b)(5)

Thanks,

(b)(6)

(b)(6)

Office of the General Counsel

Desk: (b)(6)

Mobile: (b)(6)

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From: Swartz, Neal (b)(6)
Sent: Tuesday, June 16, 2020 4:29 PM
To: (b)(6)
Cc: Saltalamachea, Michael (b)(6)
Subject: RE: Use of Departmental Appropriations to Pay for Law Enforcement Response in Emergency Situations

(b)(5)

(b)(5)

Thank you,
Neal

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From: (b)(6)
Sent: Monday, June 15, 2020 1:58 PM
To: Swartz, Neal (b)(6)
Cc: Saltalamachea, Michael (b)(6)
Subject: Use of Departmental Appropriations to Pay for Law Enforcement Response in Emergency Situations

Neal,

(b)(5)

(b)(5)

Let us know when you would like to discuss.

Thanks,

(b)(6)

(b)(6)

Acting Assistant General Counsel for Appropriations and Fiscal Law
Office of the General Counsel
U.S. Department of Homeland Security
Desk: (b)(6)
Mobile: (b)(6)

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RE: ADA emergency exception/DOJ funding update

Swartz, Neal (b)(6)

Tue 6/23/2020 9:12 AM

To: Marcott, Stacy (b)(6)

Cc: Saltalamachea, Michael (b)(6) Mehringer, Holly

(b)(6) Edgar, Troy (b)(6) Nowak, Philip A (b)(6)

Stacy,

(b)(5)

Thank you,
Neal~~*** Warning *** Attorney/Client Privilege *** Attorney Work Product ***~~~~This message and any attachments may contain attorney-client communications, attorney work product, and agency deliberative communications, all of which may be privileged and not subject to disclosure outside the agency or to the public. Please consult with the Department of Homeland Security, Office of General Counsel before disclosing any information contained in this email.~~**From:** Marcott, Stacy (b)(6)**Sent:** Tuesday, June 23, 2020 8:48 AM**To:** Swartz, Neal (b)(6)**Cc:** Saltalamachea, Michael (b)(6)

Mehringer, Holly (b)(6) Edgar, Troy (b)(6) Nowak, Philip A

(b)(6)

Subject: RE: ADA emergency exception/DOJ funding update

Good morning Neal, just doing my weekly check in. Any movement? Stacy

From: Swartz, Neal (b)(6)**Sent:** Tuesday, June 16, 2020 4:44 PM**To:** Marcott, Stacy (b)(6)**Cc:** Saltalamachea, Michael (b)(6)

Mehringer, Holly (b)(6) Edgar, Troy (b)(6) (b)(6)

(b)(6)

Subject: RE: ADA emergency exception/DOJ funding update

Stacy,

Heather Walsh (Deputy GC at OMB) and Lee traded e-mails today. Lee is supposed to get back with her by tomorrow to arrange for another call. I will loop you in as soon as he responds.

Thank you,
Neal~~*** Warning *** Attorney/Client Privilege *** Attorney Work Product ***~~~~This message and any attachments may contain attorney-client communications, attorney work product, and agency deliberative communications, all of which may be privileged and not subject to disclosure outside the agency or to the public. Please consult with the~~

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From: Marcott, Stacy (b)(6)
Sent: Tuesday, June 16, 2020 3:13 PM
To: Swartz, Neal (b)(6)
Cc: Saltalamachea, Michael (b)(6)
Mehring, Holly (b)(6) Edgar, Troy (b)(6) Nowak, Philip A (b)(6)
Subject: RE: ADA emergency exception/DOJ funding update

Hi Neal, any progress getting back with DOJ on this topic? Should I reach out to Lee Loftus to help? Stacy

From: Swartz, Neal (b)(6)
Sent: Friday, June 12, 2020 9:18 AM
To: Marcott, Stacy (b)(6)
Cc: Saltalamachea, Michael (b)(6)
Mehring, Holly (b)(6) Edgar, Troy (b)(6)
Subject: RE: ADA emergency exception/DOJ funding update

Attorney-Client and Deliberative Process Privileged

Stacy,

(b)(5)

Mike, (b)(6) and I are available today to discuss with you in further detail.

Thank you,
Neal

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From: Marcott, Stacy (b)(6)
Sent: Friday, June 12, 2020 9:13 AM
To: Swartz, Neal (b)(6)
Cc: Saltalamachea, Michael (b)(6)
Mehring, Holly (b)(6) Edgar, Troy (b)(6)
Subject: RE: ADA emergency exception/DOJ funding update

Hi Neal, please forgive me on this one. Please remind me on how we closed this out. (b)(5)

(b)(5) Stacy

From: Swartz, Neal (b)(6)
Sent: Wednesday, June 3, 2020 8:27 AM

6/9/2021

(b)(6)

To: Marcott, Stacy (b)(6)

Cc: Saltalamachea, Michael (b)(6)

Subject: ADA emergency exception/DOJ funding update

Stacy,

(b)(5)

May we get back with you later this am or early afternoon to discuss next steps?

Thank you,

Neal

Cell: (b)(6)

Sent from my DHS iPad

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RE: Law Enforcement Paper

Swartz, Neal (b)(6)

Thu 6/25/2020 5:53 PM

To: Havranek, John (b)(6); Maher, Joseph (b)(6)

Cc: Gereski Jr, John (b)(6)

(b)(6); Saltalamachea, Michael (b)(6)

1 attachments (361 KB)

Draft Writeup on DHS Coordination of Federal LE Efforts v.3.0 (NS and JM edits).doc;

John,

Please find attached suggested edits from Mike, (b)(6) and me. These are on top of Joe's.

Thank you,
Neal~~*** Warning *** Attorney/Client Privilege *** Attorney Work Product ***~~~~This message and any attachments may contain attorney-client communications, attorney work product, and agency deliberative communications, all of which may be privileged and not subject to disclosure outside the agency or to the public. Please consult with the Department of Homeland Security, Office of General Counsel before disclosing any information contained in this email.~~**From:** Havranek, John (b)(6)**Sent:** Thursday, June 25, 2020 5:32 PM**To:** Swartz, Neal (b)(6); Maher, Joseph (b)(6)**Cc:** Gereski Jr, John (b)(6)

(b)(6); Saltalamachea, Michael (b)(6)

Subject: RE: Law Enforcement Paper

(b)(5)

John F. Havranek

DHS Office of the General Counsel

(b)(6) Work
Cell**From:** Swartz, Neal (b)(6)**Sent:** Thursday, June 25, 2020 5:29 PM**To:** Maher, Joseph (b)(6); Havranek, John (b)(6)**Cc:** Gereski Jr, John (b)(6)

(b)(6); Saltalamachea, Michael (b)(6)

Subject: RE: Law Enforcement Paper

Joe,

(b)(5)

6/9/2021

(b)(6)

John, (b)(5)

Thank you,
Neal

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From: Maher, Joseph (b)(6)

Sent: Thursday, June 25, 2020 5:15 PM

To: Havranek, John (b)(6) Swartz, Neal (b)(6)

Cc: Gereski Jr, John (b)(6)

Subject: RE: Law Enforcement Paper

John,

Here are my thoughts/edits attached.

(b)(5)

From: Havranek, John (b)(6)

Sent: Thursday, June 25, 2020 4:39 PM

To: Maher, Joseph (b)(6) Swartz, Neal (b)(6)

Cc: Gereski Jr, John (b)(6)

Subject: Law Enforcement Paper

Joe and Neal,

Attached is the paper we prepared for (b)(6). Please let us know your thoughts, edits, or comments.

(b)(7)(E)

6/9/2021

(b)(6)

John

John F. Havranek

DHS Office of the General Counsel

(b)(6)

Work

Cell

(b)(6)

Re: Law Enforcement Paper

Maher, Joseph (b)(6)

Thu 6/25/2020 6:08 PM

To: Havranek, John (b)(6)

Swartz, Neal (b)(6)

Cc: Gereski Jr, John (b)(6)

(b)(6)

(b)(6)

(b)(6) Saltalamachea, Michael

(b)(6)

Right, that answers my question on it. (b)(5)

(b)(5)

Joseph B. Maher
Principal Deputy General Counsel
U.S. Department of Homeland Security

Duplicate

Use of DHS Appropriations for Emergency Law Enforcement

(b)(6)

Thu 6/25/2020 11:17 PM

To: Swartz, Neal (b)(6)

Cc: Saltalamachea, Michael (b)(6)

 1 attachments (76 KB)

Law Enforcement Authority Appropriations Analysis (6-25-20).docx;

Neal,

(b)(5)

Thanks,

(b)(6)

(b)(6)

Acting Assistant General Counsel for Appropriations and Fiscal Law

Office of the General Counsel

U.S. Department of Homeland Security

Desk: (b)(6)

Mobile: (b)(6)

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GSA Public Buildings Service



Pricing Desk Guide, 5th Edition

50 United Nations Plaza, San Francisco, CA

Photo by Blake Marvin/HKS, Inc.

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Appendix A: Sample Format for Recurring Reimbursable Billing

Appendix B: Acronyms

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Appendix D: RWA Management Fee Structure

Document Change History

Date	Changed Pages	Description of Change
11/16/19		5th Edition, Pricing Desk Guide Issuance

Chapter 1. Introduction

The Pricing Desk Guide (PDG) presents the policies used by the Public Buildings Service (PBS) to price real estate and related services to federal customer agencies. The PDG sets policy for the entire PBS owned and leased portfolio, and provides pricing direction for both general cases and special circumstances. It is designed to guide PBS employees in the performance of their work, and also serves as a resource for customer agencies seeking a more thorough understanding of PBS pricing policy and its application.

The Federal Management Regulation (FMR), part 102-85—Pricing Policy for Occupancy in GSA Space¹, outlines the basis of the pricing policy detailed in the PDG. In accordance with the FMR, the PDG capitalizes the word “Rent” when referring to the amounts charged by PBS to customer agencies for space and related services. When “rent” appears in lowercase, it designates the contract rent that PBS pays lessors.

The PDG is not a user’s guide for PBS’s inventory system, the Occupancy Agreement Tool, the billing process, or spatial data management. Separate documentation is available to provide information on those systems and processes.

For cases where there is no applicable written policy or where a deviation is sought, consult the Regional Portfolio Director on the approval needed. While pricing policy is intended to promote efficient spending and consistency, it cannot anticipate all the special circumstances that may arise in a project. Consequently deviations can be approved to promote best value to the government and taxpayer.

This PDG replaces all earlier versions, including the fourth edition.

1.1. What’s New in the Fifth Edition?

The PDG has changed the following policies since the fourth edition:

- OA signatures – leased and federally owned space ([sections 2.1.3 and 3.1.3](#))
- Building shell definition – leased and federally owned space ([sections 2.4.1 and 3.5.1](#))
- General allowance increase – leased and federally owned space ([sections 2.5.4 and 3.6.4](#))
- Recurring services – leased space ([section 2.6](#))
- 10-year shell rates – federally owned space ([section 3.5.3](#))
- SDM remeasurement and maintenance – federally owned space ([section 3.4.3](#))
- Billing adjustments – leased and federally owned space ([sections 2.10 and 3.11](#))
- Tenant floor cut – federally owned space ([sections 3.5.5 and 3.7](#))
- Release of space rights – federally owned space ([section 5.3](#))
- Restoration for building failure – federally owned space ([section 9.1](#))
- Joint use – leased and federally owned space ([sections 2.17 and 3.18](#))
- Furniture and IT (FIT) – leased and federally owned space ([sections 2.13 and 3.14](#))

¹ The complete reference is Code of Federal Regulations, title 41- Public Contracts and Property Management, chapter 102 Federal Management Regulation, part 102-85-Pricing Policy for Occupancy in GSA Space.

1.2. Federally Owned versus Leased Space Pricing

The Rent for federally owned space and leased space is based upon similar components but different principles.

- **Federally owned space** – Rent is based on an appraisal or return on investment, with other applicable charges added.
- **Leased space** – Rent is a passthrough of the underlying lease contract rent, plus any standard operating costs not performed through the lease, the PBS lease fee, and any other applicable charges added.

Although there are many policy similarities between leased and federally owned space, there are significant differences that are spelled out in appropriate detail in [Chapter 2](#) and [Chapter 3](#).

Chapter 2. Pricing in Leased Space

This chapter describes in detail how the Public Buildings Service (PBS) prices leased space. Pricing of federally owned space is addressed in Chapter 3, Pricing in Federally Owned Space.

2.1. The Occupancy Agreement

The occupancy agreement (OA) is a complete, concise statement of the business terms governing the relationship between PBS and the customer agency for a specific space assignment. The OA serves as the billing document on which subsequent Rent payments are based. Every space assignment in the PBS portfolio must have its own OA. Each assignment is recorded in the PBS inventory system. Lease prospectus submittals must be accompanied by OAs signed by each customer agency.

The OA addresses both the financial specifics of the agreement (reflecting the underlying lease contract) and the responsibilities of PBS and the customer agency. The OA is not a lease, nor is it a document detailing building rules and regulations. It is a formal agreement between the signing parties; PBS will honor its terms and expects the customer agency to honor its terms as well. The OA consists of four parts:

- Description of Space and Services
- Clauses (Terms and Conditions)
- Signature Page
- Financial Summary

The OA is developed and updated through successive iterations, beginning with initial preliminary budget estimates, continuing through space acquisition and development, and ending in the final, definitive billing OA. Thus, the OA serves as a preview of the customer agency's total Rent charges. By revising and updating the preliminary OA as more information becomes available, PBS is sharing with the customer agency how the business terms evolve throughout the space acquisition process.

As part of the project planning process, customer agencies should typically expect the following milestones before Rent start or expiration of the current OA term.

- 36 months (60 months if prospectus): GSA will engage the tenant to notify of occupancy expiration, if applicable, and need to begin requirements planning.
- 30 months (54 months if prospectus): project is identified, GSA assigns project manager and requirements development is started.
- 24 months (36 months if prospectus): requirements are fully developed.

2.1.1. Description of Space and Services

The Description of Space and Services section of the OA identifies the usable and rentable square footages, the number of parking spaces, the type of space, the building name and address, and the OA term.

The OA gives the customer agency a right to occupy the space for a specific duration called the OA term. Customer agencies do not have a perpetual right to occupy the space identified in the OA. OAs should never exceed the lease term and are usually coterminous with the lease term.

When conditions warrant, PBS may pursue a longer lease term and consequently OA term than the stated customer agency requirement to obtain a lower rental rate. Customer agencies with cancelable OAs are insulated from the risk of a longer term with the 4-month release of space rights provided by PBS.

Should a customer agency not agree to an OA term that matches the lease term sought, PBS may award the lease on its own authority with the approval of the Regional Leasing Director and Regional Portfolio Director. In such a case, the customer agency does not have the right to occupy space past its OA term and would be responsible for all move costs if relocated, e.g., to backfill vacant space in a federal building. In the case of lease construction projects, PBS will only pursue the project if the lease and OA terms are coterminous, and the OA is designated as non-cancelable.

For leases with specific renewal option periods, whether or not PBS evaluated the option before the lease award, the option period is not to be included in the OA term. When the option matures, PBS must still determine if the option is fair and reasonable relative to the market. Based on this determination, PBS may choose not to exercise the option.

2.1.2. Clauses

The Clauses section of the OA addresses the responsibilities of PBS and the customer agency. There are four types of clauses, identified below.

The PBS standard clauses explain the obligations of both PBS and the customer agency during the acquisition of space as well as during occupancy. The standard clauses are mandatory for every OA and may not be changed by the customer agency. PBS developed these clauses to implement the regulations regarding the pricing of space provided in the Federal Management Regulation (FMR). The FMR does not address in detail the responsibilities of PBS or the customer agency. These standard clauses are different for leased, federally owned, and U.S. Postal Service assignments.

The agency-specific clauses outline terms and conditions that a particular customer agency or bureau has agreed to use nationally in every OA. Some agency-specific clauses are optional because they only apply to a specific subset of the customer agency's occupancies.

The optional clauses apply in certain situations that are relevant to some, but not all, OAs.

The ad hoc clauses consist of various terms and conditions specific to the assignment and not already included in the OA. These must be approved by PBS and added at the OA level.

Table 2-1. Occupancy Agreement Clause Descriptions

Clause Type	Requirement	Application
PBS standard clauses	Mandatory	Required for all occupancies
Agency-specific clauses	Mandatory or optional	Could apply to all of a customer agency's occupancies (mandatory) or just a subset (optional)

Clause Type	Requirement	Application
Optional clauses	Optional	Could apply to any occupancy, based on the situation
Ad hoc clauses	Optional	Specific to one occupancy

2.1.3. Signature Page

For new requirements, PBS requires customer agency agreement via signature on the OA before incurring significant costs to pursue the project or procurement. Customer agency signature on the OA is also required before PBS submits a lease prospectus on the customer agency's behalf.

PBS accepts electronic signatures on the OA as the functional equivalent of a handwritten signature. PBS does not accept handwritten changes to the OA from either party.

In some instances, PBS must act timely to protect the government's financial interests without the benefit of an OA signed by the customer agency. A clear example is when PBS must execute a new lease or lease extension without a signed OA to avoid a holdover tenancy. Table 2-2 below details when an OA signature is required for new and continuing requirements. If an OA signature is required, but not received, the Regional Portfolio Director can approve proceeding with the leasing action to protect the government's financial interests. In these cases, PBS must demonstrate attempts to secure the customer agency's signature. PBS must keep documentation of the communication effort in the project file and should continue to seek signature to enact the customer billing.

Table 2-2. OA Signature Guide for New and Continuing Requirements

New Requirement	OA Signature
Initial occupancy (including expansion)	Signature required.
Backfill occupancy	Signature required.
Amortization of TI	Signature required.
Parking only OA	Signature required for initial requirement.
Continuing Requirement	OA Signature
Lease extension with no increase in square footage or annual rent (excluding scheduled CPI adjustments)	Signature NOT required.
Lease extension with an increase in square footage or annual rent (excluding scheduled CPI adjustments)	Signature required. GSA may act without signature to protect the government's financial interests.

Continuing Requirement	OA Signature
Succeeding lease or exercise of a renewal option	Signature required. GSA may act without signature to protect the government's financial interests.
Forced move	Signature required. GSA may act without signature to protect the government's financial interests. Refer to section 4.3 .

At the point of signing the lease contract, the latest iteration of the OA signed by the customer agency confirms its financial commitment to pay the Rent according to the terms and conditions stated in the OA. If the customer agency later backs out of the signed OA, PBS reserves the right to seek reimbursement. See [Chapter 5, Customer Agency Rights and Options](#), for further discussion.

2.1.4. Financial Summary

The financial summary section of the OA provides a preview of the customer agency's Rent bill. It itemizes the cost components of the Rent payment and summarizes both the financial terms and any lump-sum payment requirements.

The financial summary also can serve as a planning and budgeting tool to aid the customer agency in understanding future financial obligations. For this reason, PBS must continue to update the OA with accurate data to enable the customer agency to use the OA to guide decisions.

2.1.5. Revising an Occupancy Agreement

Table 2-3 details when an OA signature or notification is required for changes to an OA. PBS will send written notice of some events that do not require OA signature to explain the change in the assignment. Transmittal of a revised OA is not required for rates that are automatically adjusted annually by the OA Tool.

Table 2-3. Signature and Notification Guide for Rent and OA Changes

Changes	OA Signature / Notification
Square footage increases	Signature required.
OA term changes (number of months)	Signature required.
The sum of the shell, operating rate, and real estate taxes (RET) increases	Signature required.
Principal balance of amortized TI increases	Signature required.
Predetermined increases in the lease contract rent, such as step rent, already included in the OA	No notification sent.

Changes	OA Signature / Notification
Annual adjustment to operating, building specific amortized capital (BSAC) security, real estate taxes, joint use, parking or antenna rate	No notification sent.
Joint use amenities added or removed	Notification sent.
BSAC security features added	Signature NOT required, however approval by the Facility Security Committee (FSC) is required. Refer to section 2.9.2.B for BSAC security.
Billing adjustments (excluding recurring reimbursable billing adjustments)	No notification sent.
Number of parking spaces	Signature NOT required.
Number of antennas	Signature NOT required.
Error correction	Signature required. GSA may act without signature after good faith documented attempts to acquire it.
Release of space	Written notice of release is required. Refer to section 5.3 .
Furniture and IT (FIT) charges	Signature required on supplemental OA.



Note: OAs are not revised or sent to customer agencies for a programmed change in the lease contract rent (such as preset bumps or steps in the contract rent rate) if they are included in the initial OA.

2.2. Occupancy Types

All occupancies fall into one of three broad categories: new, continuing, or backfill.

2.2.1. New Occupancies

For pricing purposes, a new occupancy is defined as space that is new to the PBS inventory. The space may or may not have had a prior tenant. The space is considered new if its prior use was non-PBS, or if PBS's occupancy is discontinuous. For example, if a building was once leased to PBS, but the lease expired and the PBS tenant vacated the space, and at a later date PBS awards a new lease for all or part of the same space, that space is considered new to the PBS inventory. New occupancy, for the purposes of pricing, does not include succeeding leases, superseding leases, lease extensions, lease renewals, the exercise of a purchase option, or the purchase of buildings already occupied by federal customer agencies under PBS leases.

Although the leased space may be new to the PBS inventory, the offered space may contain TIs from a previous tenant. PBS's policy and practice in these cases is to require the prospective lessor to provide the full TI allowance based on the customer agency's tier. If acceptable to PBS and the customer agency, the lessor may be able to use some of the existing TIs, but all demolition costs are to be borne by the lessor as part of the offered shell rental rate. See [section 2.5.10.B](#) for additional discussion of TIs in relet space.

In some cases, there may be a new occupancy added to an existing occupancy, such as an expansion to an existing lease. In these instances, if the existing customer agency is expanding, PBS revises the existing OA to include the expansion space. The OA Tool blends the rates of the existing and expansion space, if necessary, through the use of an incremental version. The term of the existing OA may also be adjusted. However, if the lease expansion is occupied by a different customer agency, a separate OA is created.

2.2.2. Continuing Occupancies

In leased space, continuing occupancy is characterized by the execution of a lease extension, renewal option, succeeding lease, superseding lease, or new replacing lease that results in the customer agency remaining in the same space. Continuing occupancies retain the passthrough pricing structure of the lease.

As the end of a lease term approaches, PBS and the customer agency must work together to develop the leasing strategy for the follow-on term. If PBS and the customer agency choose to exercise a renewal option that was evaluated at the time of the initial lease term, then the terms of the renewal apply. If PBS and the customer agency decide to enter into a succeeding or superseding lease, the customer agency is afforded up to the full TI allowance (both the general and customization components). The customer agency may elect to use only part or none of the TI allowance, and the underlying lease contract reflects the passthrough cost. If the customer agency desires TIs that were not negotiated for the renewal option, then a reimbursable work authorization (RWA) is required.

As part of the project planning process, customer agency should typically expect the following milestones before expiration of the current OA term.

- 36 months (60 months if prospectus) GSA will engage the tenant to notify of occupancy expiration, if applicable, and need to begin requirements planning.
- 30 months (54 months if prospectus) project is identified, GSA assigns project manager and requirements development started
- 24 months (36 months if prospectus) requirements are fully developed
- 24-18 months (36-30 months if prospectus) draft OA sent.

2.2.3. Backfill Occupancies

Backfill occupancies occur when a customer agency occupies existing space that is already built out but vacant.

A. Valuation of the Existing Tenant Improvements

PBS pricing for vacant existing space (space in the PBS inventory with a prior use or tenant) begins with the lease contract value, then adds the cost to amortize any new TIs the customer agency elects.

If the lessor finances the customer agency's TI, PBS absorbs the demolition costs, which are identified separately in the lease contract and are not passed through to the customer agency. Therefore, the resulting contract rent is not completely passed through to the customer agency.

B. Determination of the TI Allowance

Subject to PBS's ability to fund, PBS may provide backfill occupancy customer agencies the total TI allowance that would have otherwise been available under a new occupancy. PBS first requests that the lessor provide the funding for the TI allowance and any necessary changes in shell elements. The lessor can be compensated in the following ways:

- An extension of the firm term of the lease
- An additional increment in rent

Having the lessor provide these funds conserves scarce BA-54 funds. As in other occupancies, the customer agency is responsible for TI costs that exceed the TI allowance.

C. Backfill Pricing Flexibility

PBS may exercise administrative discretion in setting rental rates for backfill customer agencies to optimize income to the Federal Buildings Fund (FBF). Realty practitioners or others involved in the proposed rent concession transaction must confer with the building's regional asset manager. Before offering a reduced rate, a pricing deviation approved by the Regional Portfolio Director is required. This regional backfill authority applies to space that is already vacant and cannot be used to lower rates for tenants currently occupying the space. An offer to go below the lease contract rental rate must not cover a period beyond the firm term of the lease and could cover a shorter period.

If the backfill customer agency, in turn, returns the space upon 4 months' notice before expiration of the OA term, then the customer agency is liable for any portion of the rent concession unearned by that date. (See discussion of rent concessions in [section 2.18.](#))

2.3. Pricing Fundamentals – Space Measurement

At least two of the following three space measurement values are specified in the lease contract and identified in the OA:

- Rentable square footage (RSF) – the area for which the customer agency is charged Rent; may include a share of building support and common areas.
- Usable square footage (USF) – the area where a customer agency normally houses personnel or furniture.



Note: In the lease, USF is also known as American National Standards Institute/Building Owners and Managers Association (ANSI/BOMA) office area. For PBS space measurement, USF includes joint use space. The term USF is used throughout the PDG because PBS's inventory and billing systems recognize USF.

- Common area factor – a conversion factor determined by the building owner and applied to the USF to determine the RSF for the space.

PBS buildings are assigned according to the PBS National Business Space Assignment Policy, current edition. This PBS policy is based on BOMA's Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA Z65.1, current edition, with modifications applicable to PBS's business.

2.4. Pricing Standards – Building Shell Rent

2.4.1. Building Shell Definition

Building shell is the complete enveloping structure, the base building systems, and the finished common areas (building common and floor common) of a building that adjoin the occupant areas.

The building shell definition is further detailed in Table 2-4 for general use buildings and Table 2-5 for warehouse buildings. The definition of TIs is found in [section 2.5.1](#). The separation of building shell and TIs is observed in commercial real estate practice. The PDG provides a standard definition of the elements of the building shell to support regional consistency in the application of TI allowances. In addition to building shell and TIs, there may be building security requirements that are a separate capital investment in the property. These security costs are not included in the building shell or TI for allowance or rate setting purposes as discussed in [section 2.9.2.B](#).

When space is new to the PBS inventory, all demolition costs are included in the building shell rental rate. When leased space is backfilled, any demolition costs or any necessary replacement of shell elements are not included in the building shell or TIs. PBS funds demolition and replacement of shell item costs for backfill occupancies in leased space. These costs are identified separately in the lease contract and are not passed through to the customer agency. Therefore, if the lessor is funding the TIs, the resulting contract rent is not completely passed through to the customer agency. See [sections 2.2.1](#) and [2.2.3](#) for additional information on new and backfill occupancies.

Projects requiring third-party green building certification, (i.e., U.S. Green Building Council's Leadership in Energy and Environmental Design or Green Building Initiative's Green Globes) do not change what elements are considered part of building shell or tenant improvements. Instead, building elements may be required to have certain attributes, such as low volatile organic compound emissions.

PBS must use the shell definition in its entirety and without deviation in the Request for Lease Proposal (RLP) documentation. Lessors are to refer to the definition when developing their shell rent rate. Shell rent is the single most important component of the lease contract rent. If a customer agency desires upgrades to base building systems above the PBS shell definition stated in the RLP package, the realty practitioner is to list the upgrades separately and ask the

offerors to price the enhancements. Customer agency-driven upgrades to building shell are to be separately priced from the building shell and are considered TIs.

While the shell definition is not a prescription for how private-sector lessors design buildings or engineer base building systems, it establishes a comprehensive market-based boundary between building shell and tenant work. Although some of the specifics may vary from the practice of local real estate markets, PBS must require prospective lessors to price shell as nationally defined so that the distinction between shell and TIs is consistently applied for all PBS customer agencies across the country.

The shell rental rate is identified within the lease in accordance with the building shell definition. The definition of building shell is included in all leases. PBS policy allows cyclic painting and carpet replacement in the lease contract with the expense carried by the lessor; the lessor's shell rent includes these costs. PBS must discuss the frequency of cyclic carpet replacement and repainting with the customer agency before finalizing the RLP, but cyclic painting and carpet replacement is typically not included in leases with firm terms less than 10 years.

The shell for general use buildings, such as office, courthouse, laboratory, or data center, includes the items for the base building and occupant areas listed in Table 2-4. To accommodate for the special characteristics of warehouse buildings, a distinct building shell is used that includes the items for the base building and occupant areas listed in Table 2-5. Buildings with a significant amount of office and warehouse area may utilize the shell definition for their respective type of space. Specifics for TIs are discussed in [section 2.5.2](#).

Table 2-4. Shell Definition for General Use Buildings

Base Building	Occupant Areas
Base structure and building enclosure components (windows with exterior finishes) are complete.	Broom-clean concrete floor slab, with a flat and level floor. ²
Base building mechanical, electrical and plumbing systems (e.g., central fire alarm, chiller plant, cooling tower) are complete and functional.	Gypsum wallboard, spackled and prime painted, on exterior perimeter walls and tenant demising walls, without suite entry door.
All common areas, such as lobbies, elevators, fire egress corridors and stairwells, garages, and service areas are complete. (Circulation corridors are provided as part of the base building only on multi-tenanted floors where the corridor is common to more than one tenant. On single tenant floors, only the fire egress corridor necessary to meet code is provided as part of the shell.)	Suspended acoustical ceiling system including grid and lay-in tiles (or other building standard). Lighting luminaires should be installed in the ceiling grid for an open office plan at the rate of one fixture per 80 USF. ³ Lighting controls with ambient lighting adjusted per daylight availability, occupancy, vacancy, or other building automation system signals.

² Floor flatness and levelness should be sufficient for application of floor covering, typically ASTM Standard E 1155 with minimum overall F-number values of FF35 and FL25.

³ Lease typically provides ambient general light levels of 50 foot-candles at desktop level (30" above finished floor) in an open office layout. This may be revised if customer supplies task lighting for work stations.

Base Building	Occupant Areas
Building common restrooms are complete and operational.	
<p>Building cores on each floor with assignable space contain the following: tappable domestic water riser, service sanitary drain, sanitary vent, ready for extension to tenant- demised areas.</p> <p>Electrical power distribution panels and circuit breakers available in an electrical closet, with capacity at 120/208 volt, 3- phase, 4-wire providing 4 watts per USF excluding lighting and HVAC.</p> <p>Designated connection point to the central fire alarm system for extension to tenant- demised areas.</p> <p>Distribution backboard within a wire closet for connection to tenant's telephone lines. Vertical conduit (empty sleeve) through building core, available for tenant wiring and cabling.</p>	<p>Central heating, ventilation, and air conditioning (HVAC) systems are installed and operational, including, as appropriate, main and branch lines, variable air volume boxes, dampers, flex ducts and diffusers, for open office layout. Conditioned air through medium pressure ductwork at a rate of .75 cfm per square foot of usable area is provided.</p> <p>Sprinkler mains and distribution piping in a protection layout (<i>open plan</i>) with heads turned down, concealed with an escutcheon or trim plate, are installed.</p>

Table 2-5. Shell Definition for Warehouse Buildings

Base Building	Occupant Areas
Base structure and building enclosure components are complete including dock bays, platforms, dock levelers, ramps, apron, and overhead doors.	Broom-clean concrete floor slab, with a flat and level floor in accordance with ASTM Standard E 1155 and minimum overall F-number values of FF35 and FL25. Floor should have a minimum live load capacity of 350 pounds per square foot. Floor tolerances and loads can be revised to suit the project (e.g., very flat floors or specifying minimum local F values).
Base building mechanical, electrical and plumbing systems are complete and functional.	Gypsum wallboard, spackled and prime painted, on exterior perimeter walls and tenant demising walls, is installed.
All common areas	Exposed ceiling. Lighting luminaires should provide 30 foot-candles in the shipping and receiving areas and 10 foot-candles in other warehouse areas.

Base Building	Occupant Areas
<p>Access to the following: tappable domestic water riser, service sanitary drain, sanitary vent, ready for extension to tenant-demised areas.</p> <p>Electrical power distribution panels and circuit breakers available in an electrical closet, with capacity at 277/480 volt and 120/208 volt, 3-phase, 4-wire providing 1 watt per USF excluding lighting and HVAC.</p> <p>Designated connection point to the central fire alarm system for extension to tenant-demised areas.</p> <p>Distribution backboard within a wire closet for connection to tenant's telephone lines. Vertical conduit (empty sleeve) through building core, available for tenant wiring and cabling.</p>	<p>Unit heaters and ventilation system are installed and operational.</p> <p>Sprinkler mains and distribution piping in a protection layout (open plan) with heads turned down are installed.</p>

Design intent drawings (DIDs) are typically included in the shell requirements for leases as part of the shell rent. DIDs are layout line drawings showing partitions and doors; schematic demolition; voice, data, and electrical outlet locations; finishes; generic furniture layout; and any additional details necessary to communicate the design intent to the lessor's architect for the purpose of preparing the construction documents. DIDs do not contain mechanical, electrical, or plumbing specifications or drawings. They do not include furniture or computer and telecommunication specifications, nor do they contain signage, artwork, keying, or hardware schedules. Refer to the Level 1 drawing set in the [GSA DID Review Guide](#) for more information on what elements are included. Level 2 DIDs may be requested for more complex requirements or for projects with extensive security requirements.

An initial submission of the DIDs plus two onboard reviews are included in the shell rent. If the customer agency requests any of the following items, they should be funded with an RWA:

- Additional iterations of layout drawings
- Level 2 DID: Level 1 plus Reflected Ceiling Plan, Interior Elevations, Interior Sections, Partition Types/Sections, Door/Hardware Schedule
- Specification and finish schedules for furniture and equipment (i.e., personal property)
- Extensive program development, such as detailed performance specifications and cost estimates for specialty-type spaces such as laboratories, conference centers, and computer facilities.

The DID workshop is an alternative method of having the lessor provide DIDs as part of the shell rent. In a DID workshop the lessor's architect will host a collaborative meeting with the lessor's design team and the government's team to produce the final DIDs used as the basis for the construction drawings.

Alternatively, PBS can specify that the government will prepare and provide DIDs. PBS should review the DID definition with the customer agency and receive a commitment from the customer agency that the drawings they provide will meet the standard for DIDs as set forth in the lease document. The DID development process must be determined prior to the issuance of the RLP.

2.4.2. Structure of Rent

The Rent charged to the customer agency is a passthrough of the underlying PBS lease contract rent, plus:

- any standard operating costs not performed through the lease (see [section 2.6](#));
- the PBS lease fee (see [section 2.16](#));
- PBS-funded BSAC security enhancements, if applicable (see [section 2.9.2.B](#)); and
- GSA-installed improvements (see [section 2.8](#)).

PBS's general practice is to procure fully serviced leases, although there are instances where net leases are acquired when it is advantageous to the government. Both the operating costs and the real estate taxes that PBS pays to the lessor as part of the lease are passed through to the customer agency—see [sections 2.6](#) and [2.7](#) for details.

Some leases in the PBS portfolio have been identified as portfolio leases, in which the leased space is priced as federally owned space using fair annual rent appraisals as described in [Chapter 3, Pricing in Federally Owned Space](#). Previously designated portfolio leases will remain unchanged for the term of the lease. Any future deviations from the basic passthrough pricing structure of leases must be approved by the PBS Office of Portfolio Management and Customer Engagement well in advance of signing a lease contract.

2.4.3. Adjustments for Failure to Perform

In the course of enforcing performance requirements set out in a lease contract, PBS may pay a reduced rent or withhold rent from a lessor. These deductions, when used to cure the lessor's nonperformance, are not passed along to the customer agency. If the lessor's nonperformance results in PBS assuming some continuing responsibility for the leased space (e.g., PBS takes over the cleaning of the customer agency space), then PBS will continue to honor the operating costs in the customer agency's OA until the customer agency has time to budget in the next Rent Estimate cycle or until the lessor resumes performance at the lease rate.

2.5. Pricing Standards – Tenant Improvements

2.5.1. Tenant Improvements Definition

TIs are the finishes and fixtures that typically take space from the shell condition to a finished, usable condition. The resulting space is complete, meets applicable building codes, and meets the customer agency's functional needs.

It is commonplace for lessors to define building standards for TIs (such as glass or solid wood for suite entry doors, a restricted color palette for paint and carpeting, a certain kind of blind for exterior windows). The existence of building standards does not mean that the lessor covers these as part of building shell—they are still TIs. The standards simply represent restrictions on what the customer agency can elect to install within the tenant space.

Similarly, standards identified in design guides for land ports of entry, courthouses, and other federal facilities are not part of the building shell simply because they are called “standards.”

2.5.2. Typical Tenant Improvements

TIs include:

- Electrical wiring, outlets, and horizontal conduit, including cable trays and hooks, within the customer agency’s demised premises and to the building core. Telephone jacks, data jacks, and horizontal conduit, including cable trays and hooks, within the customer agency’s demised premises and to the building core. (Telephone and computer wiring and cabling may be funded within the TI allowance or provided by the customer agency.)
- Carpeting or other floor covering; raised access flooring.
- Plumbing fixtures within the demised premises and all lines connecting to the building core—except for common bathrooms.
- Partitioning and wall finishes.
- Doors (including suite entry), sidelights, frames, and hardware.
- Millwork.
- Fire alarm wiring from building core to customer agency space and then within customer agency space; pull stations; strobes; annunciators; and exit signage within the demised premises.
- Thermostats.
- Humidification systems.
- Window treatments.
- Supplemental power, cooling or heating (above the open office plan layout capacities provided in the base building); higher rates of air exchanges (if it entails additional or upgraded air handling equipment); pathogen control systems; all other special HVAC components required by specific customer agency needs, and customer agency program equipment (such as fume hoods and exhaust systems).
- Adjustment or repositioning of sprinkler heads to avoid conflict with customer agency’s particular office partition layout; and additional sprinklers required by local code to meet customer agency’s layout, or ceiling grid adjustments and consequent repositioning of sprinkler heads to the center of ceiling tiles.
- Customer agency signage in the common corridor and within the customer agency’s leased area. (An overall tenant directory in the building lobby is part of building shell.)
- Changes (moves) or additions to the open-plan lighting pattern or to the open-plan HVAC distribution network (e.g., additional ductwork, ceiling diffusers) to accommodate individual office layout.
- Upgrades or changes to building standard items, such as plaster or vaulted ceilings, specialty lighting, and upgraded ceiling tile.
- Structural enhancements to base building to support unconventional floor loads, such as a library.

- High density shelving fixtures (permanently attached or physically integrated into the building)
- Private bathrooms, private elevators, or staircases within customer agency space specifically requested by the customer agency for its use.

2.5.3. Tenant Improvement Allowance

The TI allowance is the funding source that enables the space to be built out for occupancy to meet a customer agency's specific requirements. To accommodate the varying space needs of customer agencies, the TI allowance has two components—general and customization, defined in [sections 2.5.4](#) and [2.5.5](#), respectively. The TI allowance:

- Provides customer agencies with flexibility, choice, and savings incentives;
- Is commonplace in the commercial real estate market;
- Allows both PBS and lessors to budget more reliably, since respective obligations are defined at the outset;
- Enables separate treatment of TI costs in the Rent, allowing clear tracking of amortizations; and
- Helps PBS and customer agencies comply with appropriations law and with the Office of Management and Budget (OMB) requirement that PBS set limits on amounts that can be amortized in Rent.

The following provides information on the specific application of the TI allowance to different space assignments.

- **Initial occupancies (including expansions)** – these assignments are new to a specific customer agency in new space that is in shell/first generation condition. (See the next point on backfill occupancies for relet/second-generation space.) For initial occupancies, PBS is obligated to provide the full TI allowance (both the general and customization components) in accordance with the customer agency's assigned tier or functional space estimates (see [section 2.5.6](#) and [2.5.7](#)) as part of the total fully serviced Rent, which may not exceed the high end of the market (see [section 2.5.11](#)). Customer agencies may not buy down the general allowance in first generation space through use of an RWA; to do so would be an improper augmentation of PBS's appropriation. See [section 2.5.10.A](#) for lump-sum payment options available to customer agencies that want to minimize their TI rent obligation.
- **Backfill occupancies** – these assignments occur when PBS has existing, built-out space (relet/second-generation space) that is vacant and available for a new customer agency. The full TI allowance or functional space estimate may be provided subject to the availability of PBS funds. See [section 2.2.3](#) for more details on pricing flexibility in backfill occupancies and [section 2.5.10.A](#) for lump-sum payment options available to customer agencies that want to minimize their TI Rent obligation.
- **Mid-occupancy post-initial occupancy request for TI** – these assignments occur during the occupancy term outlined in the OA. PBS is not obligated to provide a customer agency a TI allowance at any time during the occupancy term after initial space alterations are complete. Customer agency-initiated space changes, replacements, or enhancements after initial occupancy during the same OA term are typically funded by the customer agency. Subject to funds availability, PBS may fully or partially fund and amortize a customer agency request for TIs. If funded by

the lessor, the TIs are typically amortized in the rent, and if funded by PBS, the TIs are amortized and billed as GSA-installed improvements.

- **Continuing occupancies** – these are assignments beginning a new OA term upon the expiration of a prior OA term in the same space. PBS may offer the customer agency up to the full TI allowance or functional space estimate set in accordance with [sections 2.5.6](#) and [2.5.7](#).



Note: The TI allowance is set in accordance with the customer agency's tier (see [section 2.5.6](#)) or based on a cost estimate to provide functional space (see [section 2.5.7](#)). The TI allowance for warehouse buildings is set differently (see [section 2.5.13](#)).

2.5.4. General Component of Tenant Improvement Allowance

The general component is a dollar amount per USF set to cover the cost of typical office space finish components such as doors, minimal partitions, carpeting, electrical and telecommunication outlets, or other standard “work letter” items. The general component, currently \$49.13 per USF, takes the space from shell to “vanilla” office space. This allowance is set nationally and indexed to local construction costs. The general TI allowance is provided to all prospective customer agencies in initial occupancies. (See [section 2.5.10.B](#) for a discussion of the general allowance in relet space.)

The PBS Office of Portfolio Management and Customer Engagement annually reviews the general allowance for Washington, D.C., the index city, and issues a new rate if market conditions warrant. The general allowance is adjusted for other major cities and localities by multiplying the index city amount by the appropriate local construction cost factor. The local construction index is also reviewed and adjusted each year.

2.5.5. Customization Component of Tenant Improvement Allowance

Like the general component of the TI allowance, the customization component is also a dollar amount per USF, but it is tailored to individual customer agencies. This component is intended to cover special items, preparations, or finishes that are not typical to all office space, but are necessary to customize the space for a particular customer agency. The customization component takes the space from vanilla office space to space specifically designed to function for a particular customer agency. Examples of customization items include custom cabinetry or millwork, laboratory countertops and fume hoods, private restrooms, raised access flooring, upgraded ventilation for high occupancy uses, slab-to-slab walls, broadcast quality lighting, and sound attenuation.

PBS has created a series of customization tiers – tier 0 to tier 6. Each tier is equal to one-tenth of the value of the general allowance. Tier 1 is 10 percent above the general allowance, tier 2 is 20 percent above the general allowance, and so on. Each customer agency and bureau is assigned a tier based upon a computation that takes the blended average of the cost to PBS to construct all space assigned to that customer agency or bureau. The blended average is not an attempt to cover all costs, but to provide equivalent value for what PBS had provided under the previous pricing practice. The establishment of general and customization allowances is not intended to eliminate the need for lump-sum RWA payments. See [section 2.5.12](#) for procedures to raise a customer agency's tier.

Customization allowances are not adjusted because they are a percentage of the general allowance, which is already adjusted for inflation and indexed to local construction costs.

Adjustments to the general allowance automatically translate into proportional adjustments to the customization allowance.

2.5.6. Setting the Tenant Improvement Allowance by Customer Agency Tier

Follow these steps to set the general and custom TI allowance based on the customer agency's tier:

1. Determine the general allowance as indexed for the metropolitan area for the proposed lease project.
2. Look up the customer agency's customization tier in the OA Tool.
3. Using the customization tier, determine the customer agency's customization allowance, based on the indexed general allowance.
4. Add the customization allowance to the indexed general allowance for a total TI allowance.
5. Multiply the total TI allowance by the USF to be assigned to the customer agency.

For a lease with multiple customer agencies, set the TI allowance separately for each customer agency.

2.5.7. Setting the Tenant Improvement Allowance by Functional Estimate

The general and customization TI allowances are not to be used for projects when the following are available:

- An extensive development of a space program of requirements (POR) for the customer agencies; and
- PBS cost estimates (using established national benchmarks or other measures that determine the cost estimate for functional tenant space based upon that POR).

For these projects, the TI allowance is set in accordance with the benchmarks or cost estimates described above. Functional estimates are also applicable when a particular block of space is not typical for a customer agency and additional buildout is required to meet the functional needs of that space type.

In the case of non-prospectus projects, an extensive development of space POR or benchmarks may not be available. However, PBS is to provide the customer agency with physical functional space that meets its operational needs, based on PBS's cost estimates. This still requires providing a monetary allowance so that the customer agency can make choices between buildout elements, as long as the space is finished, functional, and compliant with all applicable building codes.

The standard for determining the revised TI allowance is that it covers the cost of basic functionality (operational requirements) for the specific space's use. The standard applies whether PBS contemplates a revision to a TI allowance in accordance with benchmarks or a cost estimate to deliver functional space, or as a consequence of a customer agency request. The standard is not based on the total cost of TIs. The distinction is functionality versus finish, fixture, and feature enhancement. The OMB Circular A-11 restrictions relating to the

value of features and enhancements that are built or added for the government's unique needs or special purposes still apply – see [section 2.5.11](#).

Example

A project includes private offices with wainscoting and private restrooms. If speech privacy is necessary for the confidential interactions and work processes of a tenant, then the private offices and related sound mitigation, such as slab to slab partitions, can be considered part of the basic functional standard. The wainscoting and private restrooms would be considered above standard. Please note that any sensitive compartmented information facility requirements are considered an OMB Circular A-11 special feature or enhancement. Refer to [section 2.5.11](#).

PBS is not obligated to ensure that all aspects of a customer agency's design guide or design guidelines are incorporated into the TI allowance. A customer agency's design guide typically provides for a wide degree of latitude in the selection (and value) of finishes and fixtures for tenant space. PBS does not accept design guides as a substitute for the benchmarking process or the judgment of Regional Portfolio Directors in setting allowance levels.



Note: If setting the TI allowance by functional estimate results in an increase to the amount of the TI allowance set by the customer agency's tier, a pricing deviation defining the basis for the adjustment must be approved by the Regional Portfolio Director.

2.5.8. Amortization of Tenant Improvement Allowances

For customer agency occupancies in leased space, PBS negotiates with the lessor to amortize the TI allowance expended in Rent. The resulting amortization cost is passed through to the customer agency in the OA.

There are two rules for limiting amortization terms for TIs:

1. The amortization term must not exceed the economic life of the improvements.
2. The amortization term must not exceed the term of the OA (see below for exception).

The amortization period starting date is based on completion and acceptance of the TI buildout and the amortization period ending date usually coincides with the firm term of the lease. While buildout of TIs can be delayed, e.g., due to change orders, PBS does not permit any unspent portion of the TI allowance to be "banked" for future buildout. PBS only amortizes whatever portion of the TI allowance is actually expended to avoid the risk of overpayment.

Payment to the lessor for tenant improvements may not precede the acceptance of the improvements by the government. Advance payments, including progress payments, for partially completed tenant improvements are prohibited. Acceptance of finished improvements in phases is permissible.

In some cases, lessors (with PBS and customer agency agreement) may agree to amortization terms that are less than the OA term. In other cases, lessors (with PBS and customer agency agreement) may be willing to take the risk of amortizing the TI over a term that is longer than

the OA term. Extending the amortization term beyond the OA term is permitted, as long as there are no lump-sum costs due if PBS exercises termination rights in the lease (if they exist) or leaves at the end of the lease term.

Multiple amortization periods can be entered into a customer agency's OA within the OA Tool, but this is done in special cases only (such as phased projects). The amortization must follow the two rules above for limiting amortization terms and must be based on the terms and conditions in the lease.

The interest rate for the TI allowance amortization is negotiated between the successful offeror and PBS.

2.5.9. Application of Tenant Improvement Allowances

Sections 2.5.4 and 2.5.5 describe the individual TI allowance components (general and customization) and how they are formulated. This section describes how the components are used by customer agencies to fit out their space.

Since the customer agency elects how its space is to be finished, the customer agency controls the costs of the buildout. If an amount less than the allowance limit is used, the resulting Rent payment is lower. If the full allowance is not used for initial buildout, it is no longer available for future buildout needs. PBS does not monitor the use of the TI allowances to ensure that the general component is used only for office-type finishes and the customization component only for specialty work. The sum of the two components represents the funding available for the buildout the customer agency elects, as long as the space is finished, functional, and compliant with all applicable building codes.

The TI allowance (general and customization components) may be used only to pay for items that are real property, or which become real property when attached or affixed to the building. The TI allowance is not available to fund personal property such as furniture, microwaves, refrigerators, artwork, personal computers, audiovisual equipment, televisions for conference rooms, phone handsets, or physical relocation expenses of personal property. PBS lacks the authority to use budget activities that fund the TI allowances for personal property purchases. Modular wall systems that serve as the functional equivalent of drywall partitions and belong to the building owner at the end of the occupancy term may be purchased with the TI allowance. Refer to section 2.13 on how GSA Federal Acquisition Service (FAS) can finance furniture and information technology.

Customer agency-driven enhancements to the building shell are, by definition, TIs, not shell elements. If a customer agency wants to enhance the building shell, such as upgrading the HVAC, adding an elevator, increasing floor loads, or using specialty lighting in occupant areas instead of the building standard fixtures, these costs are chargeable to the customer agency's TI allowance.

Temporary "office hoteling" leases are an exception and are not provided a TI allowance. Office hoteling space is leased "as is." Furniture, artwork, phone equipment, and personal computers provided by the lessor in office hoteling leases are not considered personal property. It is customary for this type of space to include these amenities. Office hoteling leases may not exceed 18 months. The furniture, artwork, phone equipment, and personal computers remain with the property when the lease terminates. In addition, it is customary for phone service and internet access to be provided by the lessor in office hoteling space. The office hoteling amenities may be included as part of base shell rent or operating rent in a temporary office hoteling lease according to the standard practice of the office hoteling vendor.

In the case of initial occupancies, space planning services through design development, and services provided by construction management (CM) firms hired for design development review are not to be applied to the TI allowance. These services are provided by the lessor as part of the shell rent. After completion and approval of the DIDs, the completion of the TI portion of the construction documents is charged against the TI allowance.

In the case of other occupancies where the lessor provides a TI allowance, all soft costs (i.e., space planning, design, and CM) as well as hard costs (i.e., labor, materials, general conditions, overhead, and profit for the general contractor and subcontractors) are charged against the TI allowances. (See [section 2.2.2](#) for further information.)

Customer agency-driven security features may be funded through the TI allowance as outlined in [section 2.5.11](#). BSAC security items are a separate capital investment in the property. This separate security investment is not included in the building shell or in TIs for allowance or rate setting purposes, as discussed in [section 2.9.2.B](#).



Note: For phased projects, the TI allowance should be allocated among each phase. This separation is important to avoid a situation where increases in buildout cost, such as tenant change orders, in an early phase leave no TI allowance remaining for a later phase. Reallocation of the TI allowance among phases is permitted to accommodate work items constructed in a different phase than originally planned.

2.5.10. Lump-Sum Payment Options for Tenant Improvements

In limited circumstances, customer agencies may make lump-sum payments that effectively lower or replace the TI allowance. This option is available only at the beginning of the assignment. Customer agencies must fund any buildout costs above the TI allowance through a lump-sum RWA payment.

A. Lower or Zero Customization Tier

If a customer agency elects to waive or set the customization allowance lower than what PBS would otherwise provide the customer agency, whether using the customization tier allowance or an estimate of functional space, the following requirements apply:

- The customer agency request for a lower or zero customization tier must be made before lease award.
- The customer agency may elect to lower the allowance to any value between its assigned customization tier and the general allowance amount.
- The customer agency's election of a lower TI allowance must be recorded in the OA.
- Once the customer agency elects a lower TI allowance amount, the amount is fixed.

B. Relet Space

Relet space is second-generation space that already has TIs installed for a prior tenant. This commonly occurs in backfill space when the space is already finished with complete TIs in place. Since the customer agency can opt to use the existing buildout, the customer agency may pay lump sum by RWA to modify the space. As a result, the customer agency can waive all or any part of the general TI allowance. This is allowed

because TIs are pre-existing, and the rental rate for the space reflects these improvements (i.e., it is an as-is rate). Therefore PBS has fulfilled its appropriation obligation to provide the customer agency with the basic, functional space.

C. Restrictions on Lump-Sum Payments

Lump-sum payments are subject to the following restrictions:

- PBS does not allow customer agencies in mid-occupancy term to make lump-sum payments for TIs already being amortized. Customer agencies may not use end-of-year money to reduce future Rent obligations.
- PBS does not accept lump-sum payments to defray future year ordinary Rent obligations, since these constitute prepayment of Rent. Most customer agencies are barred by fiscal law from using current year funds to meet a future year's obligation.
- PBS generally does not accept lump-sum funding to defray the cost of capital expenses that are inherently PBS's to pay; to do so could constitute an improper augmentation of PBS's appropriation. Therefore, PBS rarely accepts lump-sum payments from customer agencies for lease building shell elements.
- Customer agencies may buy down their customization tiers and they may pay lump sum for enhancements to building shell because these enhancements are, by definition, TIs.

PBS may only accept lump-sum payments for TIs as outlined in the following table:

Table 2-6. Lump-Sum Payment Options for Tenant Improvements

Timing of Lump-Sum Payment ⁴	Requirement	Payment Method
Before lease award	PBS allows the customer agency to use lump-sum payments to lower the TI allowance	RWA
Before lease award or lease amendment	PBS requires lump-sum payments, in full and in advance, to cover costs above the TI allowance	RWA
Before lease amendment	PBS requires customer agencies to fund, in full and in advance, the cost of reimbursable space changes to an existing assignment	RWA
At the time a customer agency exercises its right to release space back to PBS	PBS requires a lump-sum amount equal to the outstanding balance on the TIs that PBS has been amortizing in the Rent	Rent through OA Tool
When an expanding customer agency displaces another customer agency	PBS requires the forcing customer agency to pay PBS for the unamortized balance of the TIs of the displaced customer agency	Rent through OA Tool

⁴ Refer to PBS National Policy Document for Reimbursable Work Authorizations for requirements and timing of RWA acceptance

Certain lump-sum payments must be made using Rent through OA Tool rather than by RWA. This is necessary because the budget accounts (e.g., BA-53) from which PBS normally covers the expense associated with payment are not reimbursable accounts, they are accounts funded by customer agency appropriations paid to PBS in the form of Rent. Simply stated, any expense that PBS would normally cover from its revolving fund is paid for by customer agencies through Rent; any expense for which PBS did not budget (e.g., above the allowance limit) is paid for by customer agencies through RWA.

With newly leased space, PBS expects to amortize these lump-sum payments up to the allowance limit and pass through the periodic payments to the customer agency. However, if the customer agency elects to buy down the Rent by paying a lump sum for any or all of the customization component of the tenant allowance, then PBS pays the lessor in a lump sum from the agency's RWA.

2.5.11. Application of OMB Circular A-11, Appendix B to Specific Space Actions

OMB Circular A-11, Appendix B, requires a specific set of rules apply to each space or project type (i.e., leased and owned, prospectus and non-prospectus) as it relates to the value of features and enhancements that are built or added for the government's unique needs or special purposes. Leased project types and their specifics are outlined below.

A. Prospectus – Leased

- The TI allowance is to be set in accordance with the benchmarks or cost estimates to provide functional space. It is not based on the customer agency's tier.
- Total full-service rent may not exceed the high-end market rent. High-end market rent is determined by the PBS National Office of Leasing through a review of comparable leases in the vicinity of the proposed lease and a review of published market data.
- Security-related tenant buildout unique to a customer agency, such as holding cells, sally ports, and special shielding to prevent electronic eavesdropping, which, if financed through the lease would result in a rental rate above the high end of the market, must be funded in a lump sum with an RWA. Additionally, if the cost of these items can be financed through the lease and remain under the high end of the market cap and the OMB-approved rental rate, OMB reserves the right to review and determine if these items are considered unique to the government's needs or special purposes. If OMB determines the items are unique to the government's needs or special purposes, lump-sum funding is required from the customer agency. If these items are financed through the lease, they are considered to be TIs.
- Building-specific security countermeasures proposed to meet Interagency Security Committee (ISC) design criteria need not be funded as a lump sum. They may be financed through the lease as long as their inclusion does not push the total rent over the OMB-approved rental rate. The countermeasures must be clearly separated from the shell and TI. These items are billed as Building-Specific Amortized Capital Security.

B. Non-prospectus – Leased

- The TI allowance is to be set in accordance with the customer agency's tier or based on a cost estimate to provide functional space.
- Total full-service rent may not exceed the high-end market rent. High-end market rent is determined through a review of comparable leases in the vicinity of the proposed lease or a review of published market data. If comparable leases or published market data do not exist, high-end market rent is determined by a feasibility rent analysis for general office space. The regional appraiser assists with this analysis. For all lease construction projects, high-end market rent is determined by the PBS National Office of Leasing. Documentation must be included in the lease file.
- Security-related tenant buildout unique to a customer agency, such as holding cells, sally ports, and special shielding to prevent electronic eavesdropping, which, if financed through the lease, would result in a rental rate above the high end of the market or the prospectus limit, must be funded lump sum via RWA. If these items are financed through the lease, they are considered to be TIs. The amount of lump-sum reimbursement is the dollar value of the TIs that, if amortized, would push rent over the lesser of the high-end market cap or the prospectus dollar limitation. PBS gives customer agencies adequate time to budget for reimbursable expenditures for ongoing lease procurements. This requirement became effective on October 1, 2006.
- Building-specific security countermeasures proposed to meet ISC design criteria need not be funded lump sum. They may be financed through the lease as long as their inclusion does not push the total rent over the lesser of the high end of the market cap or the prospectus dollar limitation. The countermeasures must be clearly separated from the shell and TI. These items are billed as Building-Specific Amortized Capital Security.



Note: A customer agency may not pay lump sum for shell and first generation general tenant allowance elements (see [section 2.5.10](#)). The exception is that the high end of the market takes precedence over providing the full TI allowance. Also, if a functional cost estimate is used to determine the allowance, PBS must deliver basic functional space without customer agency lump-sum payments. If basic functional space cannot be delivered below the prospectus dollar limitation, prospectus authority must be sought.

2.5.12. Changing or Appealing a Customer Agency Customization Tier

PBS assigned each customer agency, by agency/bureau (A/B) code, to a specific customization tier based on the entire agency's space holdings with PBS (blending office with other types of usage). Consequently, a customer agency's customization tier may not be adequate to provide functional buildout for a predominantly special-purpose use.

Similarly, for a new, predominantly office space use, the general and customization allowances may provide more funding than the customer agency needs to build out the office space. PBS accepts that, since the allowance tiers were designed to fund a blend of space types (average for each customer agency), individual requirements occasionally arise for which the assigned customization tier is inadequate. Regional Portfolio Directors have the authority, on a

case-by-case basis, to raise the tier or otherwise increase the TI allowance when the unusual buildout needs of a proposed occupancy so warrant, or appropriate documentation and information is available to determine the allowance needed to provide functional space. This action must be documented in a pricing deviation approved by the Regional Portfolio Director.

If a customer agency determines that its assigned nationwide customization tier is inadequate to meet its buildout needs, it may appeal its tier level to the PBS Office of Portfolio Management and Customer Engagement. Tier level appeals must demonstrate, through an analysis of several occupancies, that the customer agency or bureau's tier level allowance is consistently and materially less than what is required to provide functional space. An appeal of a customer agency's tier level is not a Rent appeal and does not follow the Rent appeal process.

2.5.13. Tenant Improvement Allowances for Warehouses

The TI allowance for warehouses is reduced to 20 percent of the general allowance as adjusted for locality. If the TI allowance is to be used to construct offices or other habitable or conditioned spaces within a warehouse building, then the 20 percent of the general TI allowance is to be used to construct all the shell and TIs necessary for that office (or other use, unless there is a significant amount of office space, in which case see the following paragraph). In the market, space in warehouse buildings is priced differently than general purpose space in office buildings. The lessor is compensated for traditional office shell elements in warehouse buildings by charging all of the costs of the office buildout to the TI allowance. The amortization of these TI costs in the Rent returns to the lessor the capital invested in the non-warehouse buildout.

If there is a significant amount of office space and warehouse space in the same building or tenant space assignment, the total TI allowance may be a blended rate between the warehouse TI allowance (at 20 percent of the general component) and the customer agency's total tier allowance for the office space.

2.6. Pricing Standards – Operating Costs

The operating costs that PBS pays to the lessor are passed through to the customer agency. Operating cost adjustments in leases are usually tied to the Consumer Price Index, Urban Wage Earners and Clerical Workers (CPI-W). When PBS adjusts payment to the lessor, the customer agency's Rent is also adjusted.

Standard utility services included in the operating rent are based on a one-shift office operation, Monday through Friday, excluding federal holidays. PBS provides a consistent heating or cooling temperature for one shift (minimum of 10 operating hours). Daytime or after-hours cleaning is stipulated in the lease based on customer agency preference and considered a standard service.

If the customer agency has a mission-related requirement for recurring services such as continuous 24/7, multi-shift, or extended HVAC services, GSA may incorporate these requirements into the lease and include the cost for these extended services as part of the operating rent. The lease should also allow for a reduction in rent should the customer agency no longer need these recurring extended services and revert back to a Monday through Friday, one shift schedule.

Any non-recurring services, such as one time request for after hours HVAC services, are considered above-standard. The costs are to be separately identified from the operating rent in the lease contract. These costs are passed through to the customer agency as a reimbursable payment through the traditional RWA process.

Some leases are not fully serviced, and some standard level operating costs, such as cleaning, utilities, and maintenance and repair, are provided by PBS for the customer agencies through separate service contracts. The cost of the standard level of service obtained through these contracts must be billed to the customer agency through the OA, and may not be billed through an RWA. Within the OA Tool, it is possible to see the difference between the operating rent (services provided within the lease) and other contract services (services provided by PBS by separate contract). These services are included as part of the operating costs rate shown on the financial summary of the OA. Other contract services are escalated at the beginning of the fiscal year and not on the lease anniversary.



Note: Customer agencies may wish to contract for their own utility services. If so, they must use a GSA Areawide Public Utility Contract or have a delegation provided by GSA.

2.7. Pricing Standards – Real Estate Taxes

Real estate taxes are passed through to the customer agency in the Rent. The customer agency pays its proportionate share of the annual tax based on its percentage of occupancy, and for partial years, the number of months the space has been occupied.

Real estate tax adjustments are made based on the local municipality's tax year. PBS computes the appropriate tax adjustment upon receipt of the lessor's actual tax bills. A commensurate adjustment is made to the customer agency's Rent through the OA. This adjustment takes the form of a one-time charge or deduction.

At the end of the lease term and any subsequent extensions or renewals of the firm term ("total term"), a final tax reconciliation may be necessary with all customer agencies who had occupancy during the term.

If real estate taxes decrease from the base year, the reduction is passed through to the customer agency.

2.8. Pricing Standards – GSA-Installed Leasehold Improvements

PBS collects an annual Rent charge for any building improvements in leased space funded by PBS (typically using BA-54 funds). This charge is calculated in the same manner as TIs in owned space, amortizing the initial buildout cost over the lease term.

To amortize GSA-installed improvements, calculate the annual payment to amortize the cost of the improvements over the initial lease firm term at the federal (not the lease) TI amortization rate set by PBS Central Office (see [section 3.6.8](#)). When amortizing GSA-installed improvements, use the amortization rate in effect when the TIs are installed.

2.9. Pricing Standards – Security

In accordance with the Homeland Security Act of 2002, the Department of Homeland Security (DHS) Federal Protective Service (FPS) provides security and law enforcement services to facilities under the jurisdiction, custody, or control of GSA through a Memorandum of Agreement (MOA). The current MOA became effective in 2018.

There are three types of security items and charges outlined here and fully defined below:

1. Basic security and building-specific security are provided and billed to customer agencies by FPS.
2. Building-specific security defined as BSAC charges are for building-specific security fixtures that are funded by PBS and billed to customer agencies by PBS.
3. Tenant-specific security is funded directly by the customer agency with an RWA to PBS or security work authorization (SWA) to FPS, depending on the type of security provided.

2.9.1. Basic Security

Basic security charges are billed by FPS to all tenants in GSA-controlled space. FPS is responsible for notifying agencies of this rate. GSA will pay FPS only for the basic security in GSA-occupied space, vacant space in occupied buildings, vacant buildings that are in the process of disposal and space leased to non-federal tenants.

The basic security charge is developed by FPS and approved by OMB. As outlined in the MOA, basic security includes the following:

- Law enforcement – patrol and response, criminal investigations
- Megacenter operations – security alarm monitoring and dispatch
- Facility security assessments – identification of risks and countermeasures
- Security consultation – new construction, major repair and alteration projects, leasing
- FSC participation
- Security assistance – occupant emergency plans and continuity of operations planning

2.9.2. Building-Specific Security

Through security surveys and consultations provided under Basic Security, FPS recommends building-specific countermeasures, including contract guards, security equipment, and security fixtures that mitigate security vulnerability. These countermeasures are implemented, as appropriate, in coordination with the FSC, which includes the federal customer agency representatives, a FPS representative, and PBS representatives.

A. Building-Specific Security Charge – FPS

Building-specific security charges are for items funded by FPS, including contract guards and security equipment. Security equipment is defined per the MOA Section 10, Services Provided by FPS, Item B.2. as:

“Security countermeasures that are not part of a building and easily removable from the building, such as x-ray machines, magnetometers, closed circuit video systems, and intrusion detection and alarm systems.”

FPS is responsible for the design, installation, testing, maintenance and repair of security equipment billed through the building-specific security charge or security work authorization.

Building-specific security charges are billed by FPS based on the program costs of FPS for each building or complex and prorated to each occupant agency by its total rentable

square footage in the building or complex. FPS is responsible for notifying occupant agencies of these charges. PBS will pay FPS only for Building-Specific Security in GSA-occupied space, vacant space in occupied buildings, vacant buildings that are in the process of disposal, and space leased to non-federal tenants.

For security equipment provided as part of a prospectus-level project, PBS funds, installs, and recovers the cost of the equipment (see section B below). Upon completion of the project, GSA will transfer custody and control of the security equipment, excluding physical access control systems, as well as responsibility for its operation, maintenance, repair, and collection of funds for the operation, maintenance and repair of this equipment, to FPS.

B. Building-Specific Amortized Capital Charge – PBS

The BSAC charge is for security items that are a separate capital investment in the leased property. To be considered BSAC, the security requirements must be based on ISC standards for Facility Security Level (FSL) II or higher. FSL I security requirements are standard and considered part of the building shell. BSAC security charges are separately priced, identified in the OA, and when funded by PBS or the lessor, are charged to customer agencies' PBS Rent bill as BSAC.

This separate security investment is not included in the building shell or TIs for allowance or rate setting purposes. For lease rates to compare favorably to local market rates, it is important to separate the BSAC charges from the shell rent.

Security fixtures are identified in the MOA Section 11- Services Provided by GSA, Item H.1, Security Fixtures, as:

“Physical security measures that are either part of the building or attached and not easily removable from the building. Security fixtures include vehicular barriers, such as bollards, pop-up and arm gates, doors, locks, HVAC security items (including filtration systems), exterior lighting, PACS, garage doors, security fencing and gates, guard booths (both attached to the building and free standing), and blast-resistant countermeasures. Card readers that serve solely as a locking mechanism at the building entrance, data closets, stairwells, roof access, and GSA space also are considered fixtures.”

Window glazing and progressive collapse are other examples of security fixtures.

For leases, the BSAC charges and the amortization rate are negotiated with the lessor. The amortization rate is usually the same rate applied to the TIs, and BSAC charges are normally amortized over the firm term of the lease. If the lessor proposes a longer amortization term, the lessor assumes the risk of the unamortized BSAC in the event PBS terminates the lease. The lessor is also responsible for maintenance of security fixtures and equipment and those security costs are included in the BSAC charge.

Security fixtures funded by PBS in a lease are recovered via the Rent on the BSAC billing line following the same logic as the federally owned improvements—see [section 3.10.2.B](#).



Note: Refer to [section 2.5.11](#) for additional security guidance.

That section covers the rules and processes for each space or project type as it relates to the value of features and enhancements that are built or added for the government's unique needs or special purposes and related directly to security fixtures.

2.9.3. Customer Agency-Specific Security

Customer agency-specific security items are security fixtures, equipment and features that are specific to one customer agency, requested by that customer agency and its internal security guidelines and not used in the entire building. The customer agency funds these security items with an RWA to PBS or SWA to FPS, depending on the items requested.

As stated in the MOA section 7-Services Provided by FPS, Item C, Occupant Agency- Specific Security:

“Occupant Agency-Specific Security includes additional, reimbursable services and equipment for agencies to meet any additional or unique security needs. Occupant Agency-Specific Security may include other requirements, such as agency-specific protective security officers (under FPS direction) and the design, purchase, installation, and maintenance of additional security equipment or fixtures. When the work is to be performed by FPS, FPS will coordinate with the GSA property manager and make any necessary repair to damage to the occupant agency's space or the building caused by, or incidental to, the installation, maintenance, repair, removal, or replacement of security equipment.”

For more information regarding security items requiring funding by customer agencies or times the lessor may be able to provide tenant-specific security items in the lease, refer to [section 2.5.11](#).

2.10. Pricing Standards – Billing Adjustments

A billing adjustment is a specific financial adjustment (either addition or reduction) included on a customer agency's Rent bill. Real estate tax escalations, broker commission credits and billing error corrections are examples of billing adjustments.

Billing adjustments are dated in the month and fiscal year to which they belong. Billing adjustments must be made for the current and one prior fiscal year, regardless of amount. GSA also must make billing adjustments earlier than the prior fiscal year that exceed \$1,000 for an individual OA.



Note: GSA may conduct a post-award audit or payment recapture audit to reduce improper payments to lessors. Any recovered funds are passed through subject to the adjustment limitations noted above. The cost or commission for these audit services is not passed through to the customer agency.

2.11. Pricing Standards – Antennas

For purposes of pricing, an antenna is any device of a federal agency located on a leased building that can be used to transmit or receive electromagnetic signals. Antennas are devices

for the transmission, relay, or reception of television, AM or FM radio, cell phone, or microwave signals.

PBS does not charge for antennas on leased properties unless the lessor is charging PBS, in which case the lease charge is passed through to the customer agency.

2.12. Pricing Standards – Reimbursable Services

This PBS Rent bill component is used to recover the cost of reimbursable services that are above standard operating expenses. OA Tool can be used to recover expenses when the cost of the reimbursable services rendered to a customer agency is identical from month to month. The reimbursable recurring services billed through OA Tool are limited to:

- Overtime utilities
- Enhanced custodial services
- Mechanical operation and maintenance (O&M) – HVAC
- Mechanical O&M - other

To participate in this program, the person who receives the customer agency Rent bill must agree, in writing, to have the reimbursable services billed to the same Intra-Governmental Payment and Collection System or Billing Office Accounting Code number to which the Rent is billed. Upon receipt of written acceptance, PBS Central Office identifies the customer agency as a participating agency.

PBS documents the reimbursable service agreement between PBS and the customer agency each year by an updated OA version (see Appendix, Sample Format for Recurring Reimbursable Billing). The billing and services are discontinued automatically at the end of each fiscal year and must be renewed by the customer agency to continue receiving services and be billed through the PBS Rent bill. PBS charges an annual administrative fee, currently \$100 per service, to the customer agency for this billing accommodation. The first month's Rent bill containing the reimbursable services cost contains the administrative fee.

The cost for the reimbursable services must be paid from and reimbursed to either BA-61 (Building Operations) or BA-53 (Rental of Space). PBS also must confirm that appropriate customer agency budget authority exists.

2.13. Pricing Standards – Total Workplace FIT

The Total Workplace Furniture & Information Technology (FIT) program enables customer agencies to minimize the upfront capital needed to reduce their space footprint through a lease-to-own arrangement. GSA's Integrated Workplace Acquisition Center provides the acquisition services for furniture and GSA's National Information Technology Commodity Program provides the acquisition services for information technology.

FIT program costs are covered under a supplemental OA. While FIT charges are distinct from Rent, they are part of the monthly PBS bill. New furniture can be amortized over 5 years and new information technology equipment over 3 years, but should not exceed the term of the OA. No interest is charged, but a fee is added to the amortized cost of the Total Workplace FIT procurement to cover GSA acquisition services and PBS project management provided from design through delivery. For furniture this fee is 8 percent and for information technology it varies from 3 to 6 percent.

At the end of the FIT amortization term, the customer agency decides if it will take ownership of the furniture or information technology equipment.



Note: A project must meet certain requirements to be eligible for FIT program funding. These requirements promote the adoption of modern workplace design practices and efficient use of space and can be found at the [GSA Total Workplace FIT website](#).

2.14. Pricing Standards – Parking

Parking is charged on a per-space basis as identified in the lease. The number of parking spaces must appear on the PBS Rent bill, even if the parking costs are not separated in the underlying lease contract. For some leases, the parking rate may be included in the shell rate. However, when there is an identified per space parking rate, the cost for parking may not be included in the shell.

PBS distinguishes between structured and surface parking types. Separate rates may be charged for different types of parking.

Costs for building-specific security countermeasures recommended by the FSC for a standalone parking structure or surface lot (separate building number) may be recovered through monthly miscellaneous billing adjustments to the parking-only OAs. The BSAC charge for a standalone parking structure or surface lot follows the same pricing methodology detailed in [section 2.9.2.B](#), except the percent of the total cost attributed to a customer agency is based on spaces rather than square footage.

2.15. Pricing Standards – Other Space

This billing category is used to charge for space types that have no square footage associated with them. Examples include ware yards, boat docks, and helipads. Charges for other space are a passthrough of the underlying lease contract.

2.16. Pricing Standards – PBS Fees

PBS passes through to the customer agency the actual lease contract cost and the cost of any additional standard building operating expenses that PBS provides that are outside of the lease, plus a fee. The PBS fee for leased space is a flat 7 percent and applies to all lease actions.

The PBS fee is designed to cover:

- Contract risk;
- Lease acquisition services; and
- Lease administration.

The PBS fee is applied as a separate charge for leased space and is contingent upon the customer agency's final agreement to occupy the space. Customer agencies may withdraw until the time the lease is ready to be awarded. If the customer agency withdraws before lease award, no fee applies; PBS takes this business risk.

The PBS fee is not to be reduced (except as described in [section 2.16.2](#)) or increased. It is fixed at 7 percent, regardless of the services that a customer agency may wish to self-perform.

PBS is a full- service real estate provider; the flat fee structure provides incentives to customer agencies to use the full complement of services that PBS offers.

The PBS fee is calculated and billed based on the annual value of the lease contract plus the standard operating services that PBS provides for non-fully serviced leases. BSAC security items funded by the lessor and included in the PBS Rent bill are also included in the fee calculation. The PBS fee is not applied to the billing adjustment portion of CPI escalations, real estate tax escalations, reimbursable above-standard services (even if the above-standard services are included in the contract rent), or BSAC items funded by PBS.

Although it is comprised of three parts (contract risk, lease acquisition services, and lease administration), the PBS fee is not divisible and is not negotiable. Customer agencies do not have the right to choose among the elements within the PBS fee for purposes of reducing the fee.

Customer agencies may elect, with PBS approval, to perform certain tasks covered by the fee, but PBS does not discount the fee. When the fee is taken as a whole, the services provided and contract risks accepted by PBS represent a good business deal for the customer agencies.

The PBS fee does not apply to leased space acquired by customer agencies who receive a delegation of leasing authority from the GSA Administrator.

2.16.1. PBS Fee Components

The PBS fee includes several components discussed in detail below. As the federal agency that has a legal relationship with lessors and private service providers, PBS assumes several types of contract risk, such as vacancy risk, contract formation and disputes, and limited tort liability.

As the party to contracts with private lessors and service providers, PBS assumes certain contractual risks, including defending contract disputes (such as damage to the lessor's property) with lessors and contractors. Due to this relationship with lessors and service providers, PBS also may, on occasion, have the responsibility of investigating, denying, or granting tort claims, as well as helping defend against tort claims arising from operation of the property, environmental contamination, or contractor supervision. However, if it is determined that a party (person or customer agency) other than PBS is at fault, PBS is prohibited by law from indemnifying that customer agency against tort risks, either the cost of defending or any eventual liability. PBS does not assume risks of ownership for leased properties.

Subject to the provisions in [section 5.1](#), customer agencies may return marketable space to PBS with 4 months' prior written notice. In addition, PBS guarantees to find space for customer agencies regardless of the location or occasion (including disasters and emergencies). These additional risk factors, along with the contract risks, are covered by the PBS fee.

The PBS fee covers the work effort required to support the leased space in the PBS inventory. The work effort on the leased inventory includes:

- Space assignment data and inventory system management
- Billing and budget formulation
- Construction management
- Prospectus development and advocacy
- Operating cost adjustments, tax payment computations, and accruals

PBS oversees the lease to confirm that the lessor is providing the services the lease requires.

2.16.2. PBS Fee Exceptions

There are two PBS fee exceptions—the designation of the space as non-cancelable and occupancies where the U.S. Postal Service (USPS) is the lessor.

A. Non-Cancelable Space Exception

Non-cancelable space is characterized by the low probability of PBS finding a backfill tenant due to specific qualities of the space, including:

- Remote or not easily accessible location
- Lease construction
- Special-purpose use or buildout necessitating significant capital outlays to retrofit the space to a more conventional use
- Unusual term
- Lack of any realistic federal need for the space, other than the requesting agency
- Any other factors that would significantly impair PBS's ability to backfill the space

PBS reviews each space assignment and uses the above criteria to designate space as cancelable or non-cancelable. PBS reduces the fee to 5 percent for leased assignments designated as non-cancelable. Customer agencies may not volunteer to designate their space as non-cancelable to receive the reduced fee. The decision must be made at the beginning of a leasing action.

The OA must indicate that the space is non-cancelable in the first draft of the OA and at the beginning of the OA term. Once space has been designated (or not designated) as non-cancelable, it cannot be changed during the OA term unless an approved pricing deviation that contains compelling rationale is approved by the Regional Portfolio Director. Such an approval could be warranted, for example, when PBS agrees to extend the firm term of a lease in return for the lessor funding additional TIs mid-occupancy and the customer agency agrees to the change in designation.

For a subsequent OA term, PBS reviews current market conditions and space qualities before determining whether the space continues to be non-cancelable.

B. U.S. Postal Service-Controlled Space

PBS negotiates Tenancy Agreements (TAs) for space in properties owned by USPS. A TA is similar to a lease; therefore, PBS prices USPS-owned space as it prices leased space – as a passthrough of the rental charge assessed by the lessor.

PBS reduces the fee to 4 percent for customer agencies that occupy space in USPS-controlled properties. This is in addition to any fees imposed by USPS as part of the USPS TA. PBS charges a 4 percent fee in USPS space because PBS provides an OA, negotiates for the acquisition of the space, and prepares and awards a TA with USPS. The 4 percent fee recovers these components of the PBS lease fee. The fee is reduced, however, because PBS does not bear the contract risk because USPS holds the risk of vacancy and there is no legally enforceable contract. For non-cancelable assignments in USPS space, the fee remains 4 percent. See Chapter 7, United States Postal Service Pricing, for more information on pricing in USPS space.

2.16.3. Services Included in the PBS Fee

This section details the scope of services that PBS performs (either in house or by contract) in the normal course of acquiring and servicing leased space. A summary table is provided at the end of this section that outlines the services provided. Both the narrative and the table indicate the point at which the PBS baseline service ends and the customer agency becomes responsible for additional costs. The services listed below are not in sequential order. PBS is compensated for these services through the PBS fee.

A. Conduct Market Survey

Conduct a survey of the space available within the delineated area. The elements of a market survey are:

- Building address and owner, building age, and location of the available space within the building
- Amount of available space within the building expressed in both local measurement and ANSI/BOMA office area (usable) square footage
- Common area factor
- Description of the quality of the building
- Compliance with the Architectural Barriers Act Accessibility Standard (ABAAS) or any applicable prior standard
- Identification of any potential fire and life safety problems
- Quoted rental rate per square foot, the method of measurement on which the quoted rental rate was based, the TI allowance/improvements included in the asking rental and the market standards, and the services that are included in the quoted rate
- Amenities located in the building or in the immediate area
- Color photograph of the property



Note: The PBS fee covers a single market survey, unless PBS determines that additional surveys are necessary due to a lack of competition or a change in the agency's requirements. PBS does not conduct multiple market surveys for agency personnel who do not attend the initial market survey. The agency is responsible for scheduling all necessary personnel to attend the scheduled market survey.

B. Solicit Offers

- Prepare and issue the RLP and any necessary amendments to the RLP
- Review and evaluate offers to determine which are fair and reasonable, and capable of meeting the government's requirements, including:
 - Determine if offers are capable of meeting the minimum requirements of the RLP
 - Review floor plans of the offered space and the location of the offered space within the building

- Verify the ANSI/BOMA office area (usable) square footage
 - Determine whether offered space and building are capable of meeting PBS fire and life safety requirements, with any deficiencies addressed during negotiations
 - Determine whether the appropriate seismic safety certifications and any other certifications as required by the RLP have been provided
 - Negotiate any exceptions requested in the General Clauses
 - Review Representations and Certifications for completion and accuracy
 - Evaluate the cost of services
 - Evaluate any overtime rates for utilities and HVAC included in the rental rate or lease proposal
 - Address security requirements included in the RLP
- Prepare an abstract of each offer, including, but not limited to, the points identified above and the annual rental expressed in local measurement and ANSI/BOMA office area (usable) square feet for the initial term and the renewal term, if any; the length of the initial term and the renewal term, if any; the base cost of services; any concerns regarding the Rent, including alterations and reimbursable alterations (non-amortized) required by the RLP; ABAAS compliance and fire and life safety considerations; and compliance with green lease clauses and any other significant RLP requirements

C. Negotiate Offers

- Develop written negotiation objectives for the overall acquisition and specific to each offer; conduct independent negotiations with each offeror
- Negotiate subcontracting plan for contract (e.g., small business, small disadvantaged business) (if required) and submit to the GSA Small Business Technical Authority and the Small Business Administration for review and approval
- Prepare a record of negotiations for each offeror
- Prepare price negotiation memorandum
- Obtain any necessary pre-award clearances

D. Evaluate Offers

- Request, receive, and analyze final proposal revisions (FPRs)
- Evaluate each FPR with the objective of determining the most advantageous final offer based on the price and technical factors identified in the RLP and the method of evaluation described in the RLP
- Conduct present value analysis on all responsive offers, conduct scoring analysis, and determine successful offer
- Prepare a statement discussing why the proposed rental rate is fair and reasonable
- Notify all unsuccessful offerors in writing

E. Prepare Lease Documents and Award Lease

Prepare lease documents, most or all of the documents contained in the RLP package, floor plans as required, and other pertinent information as applicable from the FPR, including annual rent, square footage, base operating costs, tax information, and any other costs not provided for in the annual rent, such as utilities and services and above-standard alterations.

F. Prospectus Generation

If the dollar value of the lease requires a prospectus, PBS works with customer agencies to identify requirements and perform the necessary analysis, including mandatory financial analysis of federal construction alternatives, to justify the prospectus. PBS, with supporting customer agency documentation, also defends the prospectus before OMB and Congress.

G. Requirements Development

PBS offers requirements development services to define requirements for new, expansion, or replacement space. PBS meets with customer agencies to gather facts and analyze customer agency mission, employee work styles, workflows, personnel utilization, and security needs to prepare a preliminary Needs Assessment. If applicable, PBS may provide professional consulting services, using in-house or contracted staff, to develop requirements.

The deliverable is a comprehensive, formal requirements package that captures the customer agency's conceptual space needs. The official formal requirements package plus the development and negotiation of OAs with customer agencies also are provided in the requirements development stage.

H. Appraisals

When PBS requires an appraisal to determine the value of a leasehold interest, the PBS fee covers the appraisal.

I. GSA Legal Staff Support

Legal support includes reviewing and giving counsel on the RLP, the lease documents, change of ownership documents, estoppel documents, other than full and open competition documents, and defending all protests and claims.

J. Occupancy Agreement

As necessary, prepare and revise OAs throughout the acquisition process and secure necessary signatures from the customer agency before the lease is awarded.

K. Post-Award Project Management Services

The project management services provided in the PBS fee are for initial space alterations funded by the TI allowance. For TIs above the allowance or after occupancy commences, PBS provides project management services for space alteration work for a separate fee, discussed in [section 2.16.4](#).

Project management is defined as oversight of the design, estimating, management and inspection, and customer agency relationship efforts for a specific project. PBS may

perform these project functions using PBS employees or through contract employees hired by PBS to work as project managers. The tasks include the following:

- Schedule development, review, and enforcement
- Cost estimation (initial project budget estimate of shell, TI, architectural/engineering (A/E) and CM fees, and reviews of lessor TI costs, if needed)
- Price negotiation of specialty items and change orders
- Milestone and final inspections (not daily inspections)
- Project cost reconciliation
- Follow-up enforcement so that punch list items are performed
- Space measurement and acceptance

For each project, PBS determines the level of project management oversight required to manage the project.

L. Lease Administration

During the term of the lease, PBS administers and manages the lease, which includes the following functions:

- Processing tax payments, step rents, operating cost adjustments, and real estate tax appeals
- Initiating and executing contract changes
- Enforcing lease terms and conditions
- Procuring services outside of the lease
- Paying rent to building owners

PBS works closely with customer agency representatives so that the lessor performs the services to the lease contract standard. For large lease locations (typically leases over 250,000 square feet), PBS may provide onsite representatives to monitor lessor performance and lease contract compliance.

When lessor-provided services are faulty or rendered inadequately, or where services are not provided by the lessor as part of the lease, PBS personnel arrange for the performance of the services by others through separate service contracts. In cases where certain operating services are not provided by the lessor as part of the lease, PBS procures the additional services through a separate contract. Customer agencies pay the actual contract cost PBS incurs, plus the 7 percent fee.

PBS personnel negotiate with the lessor for service level changes that become a permanent part of the lease contract.

The recurring RWA fee, currently \$100, applies when PBS handles recurring premium services (e.g., overtime utilities, executive-level cleaning).

PBS staff provides expertise and advice, without fee, in such areas as childcare, energy use, recycling, contracting, repairs, safety, environmental assessment, and renovations and alterations.

M. Fire and Life Safety

PBS assesses the level of fire risk in PBS-controlled leased space in accordance with PBS policy and applicable national and local codes, prior to and throughout a customer agency's space assignment.



Note: The PBS fee does not cover the cost to obtain permits, if any are required.

2.16.4. Additional Services Outside of PBS Fee

A. Environmental Studies

PBS requires offerors proposing lease construction or other ground disturbing activity as part of meeting the RLP requirements to conduct a Phase I and, where warranted, a Phase II environmental site assessment (ESA) of offered properties to provide due diligence regarding contaminants and other risks when there are indications (e.g., from prior use history of the site) that environmental contamination may exist. Phase I and Phase II ESAs may also be required in leases for which PBS is considering taking environmental risk (through lease clause changes that limit PBS's ability to terminate the lease or interrupt rent payments in the event of an environmental problem).

The PBS fee does not cover the cost of a procurement-specific National Environmental Policy Act (NEPA) study such as a checklist categorical exclusion, environmental assessment (EA), or environmental impact statement (EIS). PBS procures these studies on a reimbursable basis. Only when PBS controls the site for a leased property (such as if PBS obtains an assignable purchase option) does PBS initially cover the cost of any necessary environmental studies associated with that property. PBS seeks reimbursement from the successful offeror for the costs of these studies. Further, the PBS fee does not include the cost of remediation of site contaminants or other environmental problems related to locating customer agencies in leased space. Remediation costs are borne by the lessor in the shell rent.

B. RWA Management Fee

For projects with TI work above the allowance, i.e., funded via RWA, PBS charges a RWA management fee for the oversight of the additional TI work. The intent of the RWA management fee is to cover PBS's indirect project costs and it cannot be waived.

The RWA management fee does not apply to services PBS provides customer agencies for their physical moves, relocation management, or purchasing of personal property such as telecommunication equipment and furniture. These services are described below. PBS must negotiate the recovery of those service costs with the customer agency. Telecommunication wiring and cabling may be funded within the TI allowance or provided separately by the customer agency—see [section 2.5.2](#). If funded by the TI allowance, the fee only applies to the TI costs that exceed the TI allowance.

The RWA management fee covers indirect project costs, such as:

- Salary and benefits of PBS employees and contract employees hired by PBS to work as project managers when they are overseeing (administering) TI work
- Business line overhead (regional and field office)

The RWA management fee does not cover direct project costs, such as:

- Contract costs for space programming, design services, construction, or the cost of a CM firm hired by PBS to provide management and inspection on a specific project
- The cost of PBS employees who actually perform the design or detailed management and inspection of construction work

For example, the RWA management fee does not cover the PBS employee's time performing construction management and inspection services, as those costs are directly charged to the project. However, if PBS hires a CM firm, the PBS employee's work is considered oversight and the RWA management fee covers the employee's time overseeing the CM contract. The direct project costs are applied to the RWA.

The RWA management fee is applied to the sum of the following direct costs:

- Design and CM contract services for space alteration work
- PBS employees' time actually performing the work
- Construction costs
- Travel

Generally, PBS does not charge for travel associated with oversight of a project unless the customer agency requests more frequent site visits than PBS deems necessary. In circumstances where the work site is remote (outside of commuting area), PBS may request that the customer agency agree to reimburse PBS for the travel expenses (e.g., per diem, air fare, car rental, mileage) of PBS employees overseeing the project beyond the RWA management fee. In these cases, PBS must estimate the travel costs and secure the customer agency's consent to the charges. Chargeable travel expenses do not include the salaries of the PBS employees overseeing the project. (see Appendix, RWA Management Fee Structure)



Note: A sliding scale overhead charge that covers all non-business line overhead is applied to the total value (including the RWA management fee) of all nonrecurring RWAs.

C. Other Services Outside of the PBS Fee

PBS provides a range of services to support customer agencies throughout the space acquisition process. Upon request, PBS will make the following GSA resources available to customer agencies; actual cost for provision of these services is outside of the PBS fee:

- Telecommunication network services and information technology
- Furniture, equipment, and supplies (GSA and private-industry vendor resources)
- Planning and execution of the physical relocation (GSA move contractors)

- Full-service relocation management, including planning, scheduling, and developing move sequence plans, conducting relocation project management meetings, supervising deliveries and installations
- Special consulting services, such as office art, audiovisual systems, acoustics, records management, copy and mail room services, lighting, specialty security, and signage (GSA expert vendors and suppliers)

Table 2-7. Fee Matrix for Initial Occupancies

Activity	Included in Fee	Agency Responsibility	Notes
Lease Acquisition Services			
Survey market	Yes		
Solicit offers	Yes		
Negotiate offers	Yes		
Evaluate offers	Yes		
Prepare lease documents/award lease	Yes		
Additional Services			
Prospectus generation	Yes		
Requirements development	Yes		
Appraisals	Yes		
GSA legal staff support	Yes		
Occupancy Agreement	Yes		
Post-award Services			
Post-award project management services	Yes, up to TI allowance	For TI costs that exceed the TI allowance, an RWA management fee applies	
Services During Occupancy Term			
Lease administration	Yes	The recurring RWA fee (currently \$100) applies when PBS handles recurring premium services	
Fire and life safety	Yes		
Additional Services Outside PBS Fee			
Environmental studies	No	If EIS or EA is needed	Lessor performs ESAs as part of lease contract amount

Activity	Included in Fee	Agency Responsibility	Notes
RWA management fee	No	For TI costs funded with an RWA, an RWA management fee applies	
Telecommunication network services and information technology	No	Yes	Make GSA resources available; actual costs for provision of these services are outside the PBS fee
Furniture equipment and supplies	No	Yes	
Physical move	No	Yes	
Relocation management	No	Yes	
Special consulting services	No	Yes	

2.17. Pricing Standards – Joint Use

Joint use amenities are public good amenities, including:

- Government-provided cafeterias
- Randolph-Sheppard Act vending facilities
- Childcare centers
- Fitness centers
- Occupational health centers
- Shared conference rooms
- Visitor parking spaces

Joint use charges are rents for those amenities, and apply whether or not employees of the customer agencies elect to use the amenities. PBS will seek feedback from tenants prior to adding a new joint use amenity. PBS makes the final decision on joint use spaces using a variety of criteria, but uses the customer feedback to help determine the value added by the amenity.

2.17.1. Joint Use Charges and User Base

The costs for the amenities are totaled and distributed among all federal users directly in proportion to each user's percentage of federal occupancy. The user base for joint use charges may extend beyond the building housing the joint use amenity. For leases, there are four types of joint use space, identified below:

- Building and lease – amenities housed in the leased building are available only to the customer agencies in the lease or building. For a building with one lease, building and lease joint use are synonymous. For a building with multiple leases:
 - When amenities are available to all the federal customer agencies in the building, the space is assigned as building joint use and it is prorated among all the federal customer agencies in the building.
 - When amenities are available only to the federal customer agencies under one lease, the space is assigned as lease joint use and it is prorated only to the customer agencies under that lease.
- Facility – amenities are shared among two or more buildings within a campus or defined business site that are designated as a facility in the PBS inventory system.
- Community – amenities, such as childcare centers or cafeterias, housed in one building are available to customer agencies in neighboring buildings. Those buildings must be designated as a community within the PBS inventory system. To be included in the community, the other buildings must be within a reasonable distance to the amenity. Before being included in the community, customer agencies outside of the building where the joint use amenity is located must be notified in writing of their inclusion in the community, and they must be given enough time to budget for the joint use charge. Time to budget does not apply to customer agencies that are currently being charged for the building joint use space. When community joint use is assigned, the OA will include a clause identifying the building where the amenity is housed.

Standalone joint use buildings must be designated as facilities or communities or assigned directly to a single customer agency. The joint use charges then follow the same methodology outlined above.

Regions must conduct periodic reviews of the joint use user base and make adjustments as necessary.

Joint use space charge is a single line item on the customer agency's Rent bill, although it consists of shell rent, amortized TIs, taxes, and operating costs. Joint use charges are subject to escalations. The joint use rate does not include security charges or the PBS lease fee, as these appear separately on the PBS Rent bill.

2.17.2. Joint Use Components

For joint use space or parking within a building or lease, the joint use charge is comprised of the following components:

- Lease cost for the joint use amenity and
- Any additional services not included in the lease.

Regardless of the escalation month in the lease, joint use rates are reset annually at the beginning of the fiscal year.

2.17.3. Joint Use and the Tenant Improvement Allowance

Two separate cases exist regarding the use of the TI allowance for the buildout of joint use amenities.

A. Multiple Customer Agencies in a Building, Lease, Facility, or Community

PBS or the lessor funds the buildout of shared amenities. Since the amenities are funded in their entirety, regardless of TI allowance, there is no need to distinguish between the TI allowance and a customer agency lump-sum amount. PBS also funds the initial purchase, maintenance, repair, and replacement of equipment and personal property in cafeterias, childcare centers, and playgrounds and provides a shell ready for Randolph-Sheppard vending facilities. The Randolph-Sheppard vendor is responsible for funding the space improvements.

B. Single Customer Agency in a Building

In the case of a single customer agency, defined by one A/B code occupying a building, the amenities are for the exclusive use of the sole customer agency and, typically, the customer agency plays a large role in determining the composition and size of the amenities. PBS's policy is to treat these amenities as extensions of the customer agency's space. The amenity space is afforded the same per-square-foot TI allowance as the customer agency's other space. The charge is passed entirely onto the single occupying customer agency as assigned space, not as separately charged joint use. PBS funds the initial purchase of equipment and personal property in cafeterias, childcare centers and playgrounds, and Randolph-Sheppard vending facilities. PBS, through the lessor, provides a shell ready for Randolph-Sheppard vending facilities and the vendor is responsible for funding the space improvements. The customer agency is responsible for maintenance, repair, and replacement of equipment and personal property unless otherwise stated in the lease.

The standalone joint use building must be designated as a facility or community or assigned directly to a single customer agency. The joint use charges follow the same methodology outlined above in [section 2.17.1](#).

2.17.4. Joint Use and Warehouse Space

If the space is entered into the OA Tool as the warehouse space type, it is not included in the customer agency's pro rata share of space for distribution purposes. No joint use charges are assessed for the warehouse space type in the OA Tool.

2.18. Pricing Standards – Rent Concessions

Any rent concession given at the start of a lease term, such as free space or the commission credit received on a broker contract, is passed through to the customer agency, provided it occupies the space for the duration of the firm term. If the customer agency chooses to vacate before the end of the firm term, the credit is prorated over the period of occupancy and the unearned portion is refunded to PBS. The refunded credit is not passed through to any backfilling customer agency.

2.18.1. Free Space

When an offeror has a contiguous block of space that exceeds the maximum amount for which PBS has solicited, it may offer this space at no charge to the government. When the offered space exceeds the maximum RLP requirement, the customer agency must be consulted. The customer agency must agree to accept the extra space and sign an OA for the actual square footage, or the customer agency must reject the additional square footage. If the customer

agency accepts the space, then Rent for the total square footage (including the free space) is assessed on the PBS Rent bill. However, the overall rate is reduced (blended in the OA Tool) to make the additional space essentially free. If the customer agency rejects the extra square footage, the offeror must show that the free space will be partitioned off from the requested block of space. Free space cannot be accepted if it results in exceeding the maximum square footage listed in a prospectus or Congressional Committee resolutions approving the prospectus lease. Once free space is accepted, the following apply:

- The contracting officer must not consider the free space during negotiations or evaluations of a competitive lease action.
- The TI allowance must not be increased to include the square footage of the free space.
- A clause must be inserted in the OA to explain the terms of the free space and details of the blended rate.
- The square footage of the free space must not be included in the base cost of services.
- The annual CPI adjustment is not applied to the free space.
- The percent of government occupancy, for real estate tax purposes, must not include the free space.
- If space is returned by the customer agency before expiration of the lease, an amount of square footage up to the total free space square footage must be returned first, with no adjustment to the Rent, before any paid space can be released. This is the case even if the physical space that was initially counted as free remains in the customer agency's possession. This information is included in the free space OA clause.
- The free space square footage is not included in any scoring analysis pertaining to a location with free space.

Charges outside of the lease contract, such as security costs billed through FPS, are assessed on the entire block of space, since it is occupied by the customer agency.

2.18.2. Broker Contract Commission Credit

PBS has used and continues to use contracts with commercial real estate brokers to assist PBS with some lease acquisitions. The contracts include the GSA Leasing Support Services (GLS), National Broker Contract 2 (NBC2), and the National Broker Contract (NBC).

Under GLS, NBC2 and NBC, contractors are compensated through commissions paid by the lessor. Only under these contracts does PBS usually receive a portion of the commission back and apply it as a credit against shell rent.

The amount of the commission credit is documented in the lease and passed on to the appropriate customer agencies. The commission credits are processed as follows:

1. The credit is applied against the shell rent.
2. Beginning with the first month that rental payments are due, the credit is applied against the shell rent in equal amounts each month over the fewest number of months possible until the credit is fully captured. The monthly credit must not exceed the monthly shell rent.

3. Example: If the credit is more than 1 month's shell rent and less than or equal to 2 months' shell rent, it should be taken in two equal monthly installments starting with Rent commencement. If the credit is more than 2 months' shell rent and less than or equal to 3 months' shell rent, it should be taken in three equal monthly installments, starting with Rent commencement. To illustrate, if the credit is \$24,000 and the shell rent is \$10,000 per month, the credit is applied in three monthly installments of \$8,000 each.
4. The OA reflects the full shell rent and the commission credit is treated as a billing adjustment.
5. In the PBS inventory system, the full cost of the lease is reflected on the payment schedule with the commission credit recovered as a withhold.

2.18.3. Repayment of Rent Concessions Upon Return of Space

An OA standard clause addresses the customer agency's responsibility for the unearned balance on any rent concession (including broker commission credits) value in the event the customer agency exercises its right to return space on 4 months' prior written notice. For example:

- A lessor provides 6 months of free rent on an 8-year firm term lease and the customer agency leaves at the end of year 5.
- Then, out of 90 monthly payments over the lease term (8 years multiplied by 12 months equals 96 payments, minus 6 months free equals 90), the customer agency made only 54 payments (5 multiplied by 12 equals 60, but the first 6 months were free, so 60 minus 6 equals 54).
- The customer agency has earned only 60 percent of the initial free rent concession (54 divided by 90 equals 60 percent) but has already received the entire benefit of the rent concession.
- Sixty percent of the initial 6 month free rent concession equals 3.6 months (6 multiplied by 0.6 equals 3.6) and therefore, the customer agency must pay PBS back 2.4 months' rent, which is the value of the rent concession unearned.

The customer agency must repay the unearned portion of the rent concession at the time the customer agency ceases occupancy. The payment may be made over a number of months, rather than in a lump-sum adjustment, upon mutual agreement of PBS and the customer agency.

Chapter 3. Pricing in Federally Owned Space

This chapter describes in detail how the Public Buildings Service (PBS) prices federally owned space. Pricing of leased space is addressed in Chapter 2, Pricing in Leased Space.

3.1. The Occupancy Agreement

The occupancy agreement (OA) is a complete, concise statement of the business terms governing the relationship between PBS and the customer agency for a specific space assignment. The OA serves as the billing document on which subsequent Rent payments are based. Every space assignment in the PBS portfolio must have its own OA. Each assignment is recorded in the PBS inventory system.

The OA addresses both the financial specifics of the agreement and the responsibilities of PBS and the customer agency. The OA is not a lease, nor is it a document detailing building rules and regulations. It is a formal agreement between the signing parties; PBS will honor its terms and expects the customer agency to honor its terms as well. The OA consists of four parts:

- Description of Space and Services
- Clauses (Terms and Conditions)
- Signature Page
- Financial Summary

The OA is developed and updated through successive iterations, beginning with initial preliminary budget estimates using fair annual rent (FAR) appraisal-based rates, as appropriate, continuing through space acquisition and development, and ending in the final, definitive billing OA. Thus, the OA serves as a preview of the customer agency's total Rent charges. By revising and updating the preliminary OA as more information becomes available, PBS is sharing with the customer agency how the business terms evolve throughout the space acquisition process.

3.1.1. Description of Space and Services

The Description of Space and Services section of the OA identifies the usable and rentable square footages, the number of parking spaces, the type of space, the building name and address, and the OA term. PBS bills customer agencies on the basis of RSF; USF is the space assigned to a specific customer agency.

The OA gives the customer agency a right to occupy the space for a specific duration called the OA term. Customer agencies do not have a perpetual right to occupy the space identified in the OA. The OA standard term is 10 years; in rare instances the OA term may be set for a different duration by mutual consent. Regardless of the OA term, shell and base year operating rates cannot be preset for more than 10 years. For example, an OA can be written for a 20-year term, but must specify that the shell and base year operating rates will expire and be reset to market every 10 years. Before the expiration of the shell rate, usually 18 to 24 months in advance, PBS is to prepare a revised OA and send it to the customer agency.

Because the OA conveys a right to the customer agency to occupy the space for a specific period, PBS must limit OAs to terms that do not impede a major modernization, disposal, or other planned event that would necessitate vacating the building. In the event of a PBS disposal of a building or an approved prospectus project requiring customer agency relocation from the

space before the expiration of the OA term, PBS will not be considered a forcing agency if it has provided at least 3 years' prior written notice of the action. In cases where there is uncertainty regarding when authorization of a pending PBS-initiated event, such as a modernization, will be approved, PBS will use year-to-year extensions for OA terms or an OA clause explaining the potential need for relocation. If PBS grants an occupancy term beyond a date by which a building must be vacated for any other PBS initiated event, PBS must fund the customer agency's move in accordance with the move policy explained in Chapter 4.

3.1.2. Clauses

The Clauses section of the OA addresses the responsibilities of PBS and the customer agency. There are four types of clauses, identified below.

The PBS standard clauses explain the obligations of both PBS and the customer agency during the acquisition of space as well as during occupancy. The standard clauses are mandatory for every OA and may not be changed by the customer agency. PBS developed these clauses to implement the regulations regarding the pricing of space provided in the Federal Management Regulation (FMR). The FMR does not address in detail the responsibilities of PBS or the customer agency. These standard clauses are different for leased, federally owned, and U.S. Postal Service assignments.

The agency-specific clauses outline terms and conditions that a particular customer agency or bureau has agreed to use nationally in every OA. Some agency-specific clauses are optional because they apply only to a specific subset of the customer agency's occupancies.

The optional clauses apply in certain situations that are relevant to some, but not all, OAs.

The ad hoc clauses consist of various terms and conditions specific to the assignment and not already included in the OA. These must be approved by PBS and added at the OA level.

Table 3-1. Occupancy Agreement Clause Descriptions

Clause Type	Requirement	Application
PBS standard clauses	Mandatory	Required for all occupancies
Agency-specific clauses	Mandatory or optional	Could apply to all of a customer agency's occupancies (mandatory) or just a subset (optional)
Optional clauses	Optional	Could apply to any occupancy, based on the situation
Ad hoc clauses	Optional	Specific to one occupancy

3.1.3. Signature Page

For new requirements, PBS requires customer agency agreement, via signature on the OA, before incurring significant costs to pursue the project or procurement (e.g., purchasing a site or awarding a building design contract). If the customer agency later backs out of the signed OA agreement, PBS reserves the right to seek reimbursement. See Chapter 5, Customer Agency Rights and Options for further discussion.

Both parties' signatures are required for billing. PBS accepts electronic signature on the OA as the functional equivalent of a handwritten signature. PBS does not accept handwritten changes to the OA from either party.

In some instances, PBS must act timely without the benefit of an OA signed by the customer agency. A clear example is when a customer agency is being displaced unwillingly, as in the case of a forced move, and there is resistance to signing an OA. Table 3-2 below details when an OA signature is required for new and continuing requirements. If an OA signature is required, but not received, the Regional Portfolio Director can approve proceeding with the leasing action to protect the government's financial interests.. In these cases, PBS must demonstrate attempts to secure the customer agency's signature and that the customer agency was provided opportunities to influence the project. PBS must keep documentation of the communication effort in the project file.

Table 3-2. OA Signature Guide for New and Continuing Requirements

New Requirement	OA Signature
Initial occupancy (including expansion)	Signature required.
Backfill occupancy	Signature required.
Amortization of TI	Signature required.
Continuing Requirement	OA Signature
Continuing occupancy	Signature NOT required.
Forced move	Signature required. GSA may act without OA signature to protect the government's financial interests. Refer to section 4.3 .

3.1.4. Financial Summary

The financial summary section of the OA provides a preview of the customer agency's Rent bill. It itemizes the cost components of the Rent payment and summarizes both the financial terms and any lump-sum payment requirements.

The financial summary also can serve as a planning and budgeting tool to aid the customer agency in the understanding of future financial obligations. For this reason, PBS must continue to update the OA with accurate data to enable the customer agency to use the OA to guide decisions.

3.1.5. Revising an Occupancy Agreement

Table 3-3 details when an OA signature or notification is required for changes to an OA. PBS will send written notice of some events that do not require OA signature to explain the change in the assignment. Transmittal of a revised OA is not required for rates that are automatically adjusted annually by the OA Tool.

Table 3-3. OA Signature and Notification Guide for Rent and OA Changes

Changes	OA Signature / Notification
Square footage increases (excluding space assignment errors)	Signature required.
OA term changes (number of months)	Signature required.
Shell or base operating rate resets	OA not sent, notice letter only.
Principal balance of amortized TI increases	Signature required.
Changes to joint use amenities	OA not sent, notice letter only.
Number of parking spaces	OA not sent, notice letter only.
Number of antennas	OA not sent, notice letter only.
Annual adjustment to operating, BSAC security, joint use, parking, or antenna rate	No notification sent.
BSAC security features added	Signature NOT required, instead approval by the FSC. Refer to section 3.10.2.B .
Billing adjustments (excluding recurring reimbursable billing adjustments)	No notification sent.
Space assignment errors	Signature NOT required. GSA only updates OA if change is 50 USF or greater. Time to budget provided for change to annual rent. Refer to section 3.4.4 .
Error correction	Signature required. GSA may act without signature after documented attempts to acquire it.
Release of space	Written notice of release is required. Refer to section 5.3 .
Furniture and IT (FIT) charges	Signature required on supplemental OA.

3.2. Occupancy Types

All occupancies fall into one of three broad categories: new, continuing, or backfill.

3.2.1. New Occupancies

For pricing purposes, a new occupancy is defined as space that is new to the PBS inventory. In federally owned buildings, this usually means the first ever use of the space (i.e., new

construction) and is considered first generation space. The shell rate is based on the appraisal of the building in its shell condition (i.e., without TIs). This enables PBS to add to the appraised shell the cost to amortize the TIs selected by the customer agency. Complete discussions of shell and TI costs can be found in [sections 3.5.1](#) and [3.6](#), respectively.

In some cases, there may be a new occupancy added to an existing occupancy, such as an expansion to an existing assignment. In these instances, PBS either revises the existing OA to include the expansion space, or, upon request by the customer agency, creates a separate OA for the expansion space.

If the existing OA is revised to include the expansion space, the Rent on the expansion space may be blended with the Rent on the pre-existing space to arrive at a composite rental value using an incremental version of the OA. In such cases, there is no need to reset the expiration date for the shell rate on the existing space; the shell rate that is applied to the expansion space will govern the expansion portion until the shell rate on the initial space expires. At that time, a new shell rate will be established that covers both the initial and the expansion space.

If a separate OA is created for the expansion space, the expiration of the separate OA must coincide with the OA expiration date in the initial OA.

3.2.2. Continuing Occupancies

A continuing occupancy is one in which the customer agency remains in the same space that it occupied during the prior OA term. Before the conclusion of the OA term, usually 18 to 24 months in advance, PBS is to prepare a new OA version and send it to the customer agency.

For the follow-on OA period, or after the first 10 years of occupancy, whichever comes first, PBS charges the customer agency an "as-is" Rent rate. This as-is rate, determined by appraisal, is the value of the space in its current condition on the open market for use as office or warehouse space. It is more than the shell rate because it includes Rent on the residual value of the TIs. It is appropriate for PBS to charge the as-is rate (including the residual value) for three reasons:

- The improvements have value and belong to PBS, not the customer agency, at the end of the occupancy term.
- Real estate markets recognize this residual value. Private-sector landlords are able to get modest rents above the shell for existing buildout.
- The as-is Rent represents PBS's opportunity cost for the space. In theory, PBS could find a new customer agency to pay such a Rent without any further TI work.

The as-is rate, determined by a third-party appraiser, is charged without adjustment as the Rent for continuing occupancies. The rate is appealable, but not negotiable (see [section 5.5](#) for more information on appeals).

When considering a continuing occupancy, customer agencies may look to PBS to provide funds to alter the space or to refresh it with new paint and carpeting, in return for a commitment to pay additional Rent over a period of years (new amortization). In theory, the full TI allowance can be made available to customer agencies at this time. However, PBS does not have the funds to do this routinely nor is it expected that customer agencies will have the Rent budget to pay the amortized cost or the need for the use of the full TI allowance.

Customer agencies may expect PBS to fund and amortize minor alterations or carpet and paint at the beginning of a new OA term, provided funds are available within the PBS budget.

Customer agencies also may fund TIs by reimbursable work authorization (RWA).

A. Appraisals and Continuing Occupancies

PBS's policy is to use the market rental rate determined by the most recent FAR appraisal. It is PBS policy to use third-party contract appraisers to obtain independent market-based rent appraisals. PBS uses the appraiser's rates without adjustment in the OA. The FAR rates generated by the FAR appraisal process are neither raised by PBS in pursuit of greater funds from operations, nor lowered in negotiations with a customer agency. Variances from the FAR rate occur only when justified by unusual market or building conditions and then only with approval from both the Regional Portfolio Director and the PBS lead appraiser.

In accordance with stringent FAR appraisal guidelines, other than the RSF/USF (R/U) adjustment, no adjustments are to be made to FAR rates; any corrections or changes for discrepancies must be made by the contract appraiser performing the appraisal. Each FAR appraisal is subject to a four-step review process: 1) regional appraiser review; 2) Regional Portfolio Director concurrence; 3) PBS Office of Portfolio Management and Customer Engagement review; and 4) review and acceptance by the PBS lead appraiser.

The rental rate determined by the FAR appraisal may not be used for rate setting purposes until all reviews are completed and the PBS lead appraiser approves and accepts the FAR appraisal. The regional appraiser provides the applicable rate for prospective occupancies to the requesting person after receiving a completed rate request.

B. Release of Appraisal Information

PBS expects its customer agencies to recognize and accept third-party appraisals procured by PBS as the best and most expedient means of setting intragovernmental pricing for federally owned space.

If a customer agency believes that an appraised rental value is incorrect, the customer agency's representative with authority to sign OAs may request a meeting with the PBS regional appraiser to review the appraisal before filing a formal Rent appeal. It is PBS's responsibility to demonstrate that the appraisal was prepared in accordance with instructions and that the Rent rate was correctly derived from the appraisal and reflects a market equivalent user charge. The PBS regional appraiser should explain the content of the appraisal and the appraisal process to the customer agency representative. Specifically, PBS must offer explanations to the customer agency representative for the appraisal practice of adjusting market data to arrive at a reconciled opinion of value based on the appraiser's knowledge and experience in the subject market. After meeting with the customer agency representative, the PBS regional office may provide a copy of the appraisal, if requested.

Confidential information, such as the identity of the tenants in the lease comparables, the identity of lease comparable data sources, or other information the appraiser obtained with a promise of confidentiality, will be redacted from the appraisal.

3.2.3. Backfill Occupancies

Backfill occupancies occur when PBS has existing space that is already built out but vacant and available for a new customer agency.

A. Valuation of the Existing Tenant Improvements

PBS pricing for vacant existing space (space in the PBS inventory with a prior use or tenant) begins with the as-is FAR rate, and then adds the cost to amortize any new TIs the customer agency elects. Demolition costs to remove old TIs are not chargeable against the new customer agency's TI allowance. Additionally, costs associated with replacement (if necessary) of elements of the building shell are not chargeable to the customer agency's TI allowance; PBS must absorb these costs.

B. Determination of the TI Allowance

Subject to PBS's ability to fund, PBS may provide backfill occupancy customer agencies the total TI allowance that would have otherwise been available under a new occupancy. The funding for TIs is provided through BA-54 funds up to the TI allowance or functional space costs, and the customer agency is responsible for amounts over the allowance or functional space costs.

C. Backfill Pricing Flexibility

PBS may exercise administrative discretion in setting rental rates for backfill customer agencies to optimize income to the Federal Buildings Fund (FBF). This flexibility is available to achieve an earlier backfill, resulting in greater income over time as opposed to waiting for a customer agency that may be willing to pay full market Rent as represented by the appraised rate. Before offering a below-FAR rate, a pricing deviation approved by the Regional Portfolio Director is required. This regional backfill authority applies to space that already is vacant and cannot be used to lower rates for customer agencies currently occupying the space. The below-market rental rate must not exceed 10 years and could be less than 10 years, regardless of the OA term. The intent is to bring the customer agency's Rent into conformity with the appraised rate in the shortest period possible, as discussed in [section 3.2.2](#).

3.3. Pricing Fundamentals – Predominant Use

A building's predominant use determines its class in the inventory system; if the space is more than 50 percent of a particular class, the building is designated as that class. The rates for each building class are established using the FAR appraisal instructions or the ROI instructions.

PBS recognizes four building classes in the assignment of space:

- General Use
- Warehouse
- Parking
- Unique

For general use, warehouse, and unique, the space classification applies at the building level and is determined by predominant use. The parking class can be used for separate parking structures, surface parking, and to identify the parking area within a building that is designated as one of the three other classes.

3.3.1. General Use

Most space falls into this class, which includes general office space and special-purpose space such as courtrooms, laboratories, and computer centers. Antenna-only assignments are also considered general use.

3.3.2. Warehouse

This building class is used when the predominant use of the space is warehouse.

The TI allowance is reduced to 20 percent of the general allowance—see [section 3.6.13](#).

3.3.3. General Use and Warehouse

The pricing consequence of the distinction between general use and warehouse buildings is that there is no "office" rental rate applied to warehouse; PBS recovers cost on space built out as offices in a warehouse through the amortized payment for the TI allowance that covered the cost to construct the offices. (Conventional office shell elements are not present in a warehouse building, so the TI allowance in the case of a warehouse must cover all of the buildout costs for the office.)

In instances where there is a significant amount of office space and warehouse space in the same building, it is possible to have a separate rate for each type of space as determined by the PBS regional appraiser. Each rate would be based on a FAR appraisal. In this instance, create one OA where the OA Tool blends the general use and warehouse rates based on applicable square footage and indicate in the OA the original appraisal amounts for each type of space in an ad hoc clause. The rates are not to be blended manually outside the OA tool. In cases where both warehouse and general use space are present, the TI allowance is calculated by providing the full general and custom allowance for the general use space and only 20 percent of the general allowance for the warehouse space.

3.3.4. Parking

This building class comprises standalone parking structures or surface lots (for which separate building numbers are assigned) and parking at buildings with a general use or warehouse class (for which the parking and the associated building share the same building number). Parking is charged a per-space rate as opposed to a per-square-foot rate. PBS distinguishes between structured and surface parking types. See [section 3.15](#) for parking pricing standards.

3.3.5. Unique

Unique space is distinguished from the other three building classes to allow for special pricing arrangements when the other pricing methods are not appropriate. Land ports of entry (LPOEs) are an example of unique space.

3.4. Pricing Fundamentals – Space Measurement

PBS buildings are measured assigned according to the current edition of the PBS National Business Space Assignment Policy ([NBSAP](#)). This PBS policy uses the American National Standards Institute and Building Owners and Managers Association measurement standard ([ANSI/BOMA Z65.1-2010](#)) as a foundation with modifications applicable to PBS's business. The [NBSAP](#) provides definitions and descriptions for measuring and maintaining buildings and the actual process is carried out through the Spatial Data Management (SDM) program.

Federally owned buildings are measured and maintained to provide accurate customer agency assignment data and square footage information. Through the creation and maintenance of SDM drawings, SDM supports timely and accurate Rent bills for our customer agencies. The SDM program consists of two major business process flows: initial measurement and validation (IMV) and maintenance. The remainder of this chapter details the SDM process and how it affects customer agency billing.

3.4.1. Initial Measurement and Validation

A building undergoes IMV once to create SDM assignment drawings and then the associated data is updated in the inventory system. The IMV process within the SDM program consists of six stages:

1. Prevalidation
2. Process initiation
3. Field work and remeasurement
4. Assignment data input
5. Reconciliation
6. Inventory system update and balance verification

The sixth and final step of the IMV process is important, as the final goal is to reconcile the inventory system to the assignment drawing so that both systems maintain the same data.

Once a building has completed the IMV process, the building is considered in maintenance, and the drawings and all associated data must be maintained so that data accuracy exists between systems.

3.4.2. Maintenance

Maintenance involves active monitoring through separate activities: day-to-day actions, review of variance reports between the systems, and periodic walkthroughs (i.e., remeasurements, audits, and rewalks). The appropriate approach depends on numerous factors. When variances occur between the assignment drawings and the inventory system, it is important for the regional practitioners to work with the regional SDM coordinator to determine the best course of action to reconcile the variances and maintain inventory system accuracy.

Depending on repair and alterations projects, regional resources devoted to building maintenance, customer agency activity, and other factors, a building may undergo numerous or significant changes resulting in the need to be remeasured. This process is called a “remeasurement” and follows steps similar to those in the IMV process. When

substantial variances develop between the assignment drawings and the inventory system (and the OA), a remeasurement is required to verify drawings are accurate so that the inventory system contains correct assignment data. A remeasurement is more labor and cost intensive than auditing or rewalking space; the regional SDM coordinator should be contacted to assist with determining the appropriate maintenance process to correct the assignment data.

3.4.3. Execution of SDM Initiated Space Changes

PBS’s customer agencies play a significant part in the IMV and maintenance processes as they assist with PBS’s in-house validation and reconciliation of the measured data. By nature of its

involvement, the customer agency becomes fully aware of any pending changes to its current assignments. See [section 8.1](#) for application of space changes in U.S. Senate space.

A. Inventory System Update

If it is determined and verified that the RSF, USF, or unmarketable (e.g., vertical circulation, unfit for occupancy) square footage is different from the square footage of record after a measurement or maintenance process is completed for a building, then all space changes must be updated in the inventory system immediately as the drawing and inventory system must be kept up to date.

B. OA Update – No Change in Usable Square Footage

When the USF of a customer agency's assignment does not change, PBS may not initiate a change to the OA until the shell rate expires, the OA expires, or the customer agency initiates a change – see [section 3.4.7](#).

C. OA Update – Change in Usable Square Footage

When the USF of a customer agency's assignment increases or decreases, PBS will not adjust the Rent unless the change is at least 50 USF and until both parties have time to budget for changes. To accomplish this, follow these steps in sequence:

1. After updating the inventory system, PBS must prepare a revised OA using the reason code Remeasurement of Space to create an increment in the OA Tool. This increment must use the change in square footage (rather than the new square footage values) to achieve the remeasured RSF and USF. The OA Tool automatically recalculates the rate to keep the annual Rent unchanged and applies it to the entire remainder of the shell term.
2. Immediately upon finalization of the increment, a replacement OA must be prepared and finalized to limit the new rate adjustment term to the remainder of the time needed to budget. This OA's reason code is Remeasurement with Shell Rate Update, triggering the mandatory clause that explains the reason, implementation, and term of the remeasurement changes. This revised OA must reflect the full remeasured square footage and reinstate the original 5- or 10-year fiscal year appraised rate for the remainder of the original shell rate term following the time to budget. This version of the OA must be sent to the customer, but does not require a signature as the Rent Estimate process will capture the new assignment information in time to budget for the future change.

The modification of an OA may occur only once every 5 years when initiated by a PBS-driven remeasurement or maintenance action.

Following the steps above keeps the Rent unchanged without the need for manual billing adjustment calculations, allows the remeasured square footage to be available in the OA Tool for the Rent Estimate, and provides both PBS and the customer agency with time to budget for the changes to the assignment due to SDM initiatives.



Note: The OA square footage should match assignment drawings and the inventory system at the beginning of the OA term or shortly thereafter. To minimize fluctuations in the OA square footage during the OA term caused by SDM-initiated changes, the OA is only updated if changes are at least 50 USF and only once every 5 years. The purpose of this policy is to limit square footage changes in the Rent bill to significant SDM-initiated changes or customer agency-driven changes. Assignment drawings and the inventory system should always have current square footage information.

3.4.4. Assignment Errors Identified During SDM Processes

PBS is to update the OA immediately in the case of space assignments for blocks of space that have been occupied by, but not assigned to, a customer agency (i.e., squatting) or for blocks of space that have been assigned to, but are not occupied by, a customer agency.

There is no need to wait until the next Rent Estimate budget year to collect the correct Rent. Corrections should take effect retroactively to the date of the error, but no earlier than October of the current fiscal year. The new version of the OA does not require signature under these circumstances.



Note: Block of space refers to an entire room. Correction of assignment errors is determining whether or not entire rooms should be assigned to a customer agency. This is different than the section on SDM-Initiated Space Changes which deals with the actual size of rooms already correctly assigned to a customer agency.

3.4.5. Evaluation of Building Appraisal Following SDM Change

Before preparing the replacement draft OA, PBS must consult the regional appraiser to do an evaluation of the appraised FAR rate for the building to determine if the measurement changes impact the original FAR rate. This is necessary because appraisers may make rate adjustments based upon the difference between R/Us in PBS buildings and R/Us typical in the marketplace. The regional appraiser decides whether the building rate needs to be adjusted in light of the new numbers for the rentable or usable area. In the event the SDM change is significant enough to merit an adjustment, the new appraisal rate is entered into the Appraisal Data System (ADS) for use in new assignment rate setting. The adjustment is reflected in the current and future fiscal years.

3.4.6. Joint Use Space Errors Identified during SDM Processes

At the beginning of each fiscal year, the new joint use rates are entered into the OA Tool and the square footage and annual charges for joint use amenities are recalculated. Errors found in the joint use assignments during SDM processes must be corrected in the middle of the fiscal year if the adjustment lowers the Rental payment of the customer agency. If the error would raise the payment, the adjustment must not be made until the beginning of the next fiscal year.

In the case where joint use amenities are added or removed from a building, PBS must send customer agencies a revised OA (not requiring customer agency signature). An ad hoc clause must clearly articulate the reason for the change.

3.4.7. Execution of Customer Agency-Initiated Space Changes

If a customer agency requests an increase or decrease to its space assignment, the customer agency receiving the benefit from the additional space receives a replacement OA with the new square footage using the same rate and R/U in their existing assignment.

If the situation warrants, e.g., customer agency requests a significant amount of expansion space relative to their existing assignment, PBS may opt to charge a new rate, as determined by the appraiser, on the expansion space. This is done by modifying the existing OA through an incremental version so that the new square footage, new R/U factor, and new rates apply only to the new space for the remainder of the original OA's shell term.

Note that the R/U factor remains the same when the customer agency is releasing space.

3.4.8. General Storage Assignment – Pricing Implication

The NBSAP defines certain spaces as general storage space, or GNS. PBS is responsible for determining when space meets the GNS space type definition. The GNS space type is applied to space that meets the definition in the NBSAP that is primarily based on the following criteria:

- The space is not within general office space and the space is not completely built out to shell, or
- The space has permanent conditions, obstructions, or protrusions below the ceiling height and into or within all or a portion of the space that do not allow for general office use and it would be cost prohibitive to build out the space to office standards.

If there is uncertainty in the assignment of this space type, the region is to obtain the final GNS classification decision from the PBS SDM National Team.

Space assignments that meet the general storage definition are charged a reduced fully serviced Rent rate if based on FAR appraisal as described in sections 3.5.4 and 3.7. General storage space must be classified in the inventory system as GNS. Space that is used by a customer agency as storage and was built out to office standards is assigned a total office (TTO) space type. The discount is not to be applied to TTO space.

3.4.9. Tenant Floor Cut – Pricing Implication

The NBSAP defines certain spaces as tenant floor cut, or TFC, which receive a discounted Rent rate if based on FAR appraisal. PBS is responsible for determining when space meets the TFC space type definition. The TFC space type is applied to space that meets the definition in the NBSAP, which is essentially:

“An opening in a floor above an occupant's finished floor designed for or used by a specific occupant, such as a multi-level courtroom. The floor cut eliminates otherwise Usable space.”

BOMA classifies tenant floor cut as an occupant void. This space may be part of the original building design or renovated by removing a portion of the slab

If there is uncertainty in the assignment of this space type, the region is to obtain the final TFC classification decision from the PBS SDM National Team.

Space assignments classified as TFC are charged a reduced fully serviced Rent rate described in sections 3.5.5 and 3.7. Tenant floor cut space must be classified in the inventory system as TFC.

3.5. Pricing Standards – Building Shell Rent

3.5.1. Building Shell Definition

Building shell is the complete enveloping structure, the base building systems, and the finished common areas of a building that adjoin the occupant areas.

The building shell definition is further detailed in Table 3-4 for general use buildings and Table 3-5 for warehouse buildings. The definition of TIs is found in [section 3.6.1](#). The separation of building shell and TIs is observed in commercial real estate practice. The PDG provides a standard definition of the elements of the building shell to support regional consistency in the application of TI allowances. In addition to building shell and TIs, there may be building security requirements that are a separate capital investment in the property. These security costs are not included in the building shell or TI for allowance or rate setting purposes as discussed in [section 3.10.2.B](#).

PBS must estimate the cost of the design and construction of the building shell elements for construction projects, both above and below prospectus level, including courthouses and LPOEs. Any demolition costs associated with backfill occupancies are included in the building shell, as are any necessary replacements of shell elements. GSA is responsible for abating any asbestos-containing material or lead paint that cannot be contained or sealed with a management plan in place.



Note: For a tenant driven alteration funded via RWA, it is often impractical for GSA to obtain timely funding for abatement. Consequently abatement is typically funded via RWA and GSA provides Rent consideration after substantial completion. Refer to [note in 3.6.10.C](#).

While the shell definition is not a prescription for how PBS should design buildings or engineer base building systems, it establishes a comprehensive market-based boundary between building shell and tenant work. If a customer agency desires upgrades to base building systems above design standards for federal construction, the upgrades must be identified in the construction contract to obtain a separate price from the building shell, as these customer agency-driven upgrades to building shell are considered TIs. See [section 3.6.9](#) for further discussion on customer agency-driven shell enhancements.

The Facilities Standards for the Public Buildings Service (P-100) does not change what elements are considered part of building shell or tenant improvements, but may require those elements to meet certain technical requirements. For example the P-100 may specify that all building elements must meet International Code Council or National Fire Protection Association standards.

Similarly, projects requiring third-party green building certification, (e.g., U.S. Green Building Council's Leadership in Energy and Environmental Design or Green Building Initiative's Green Globes) do not change what elements are considered part of building shell or tenant improvements. Instead, building elements may be required to have certain attributes such as low volatile organic compound emissions.

Although some of the specifics may vary from the practice of local real estate markets, PBS must require shell items to be priced as nationally defined so that the distinction between shell and TIs is consistently applied for all PBS customer agencies across the country.

The shell for general use buildings, such as an office, courthouse, laboratory, or data center, includes the items for the base building and occupant areas listed in Table 3-4. To

accommodate for the special characteristics of warehouse buildings, a distinct building shell definition is used that includes the items for the base building and customer agency areas listed in Table 3-5. Buildings with a significant amount of office and warehouse area may use the shell definition for their respective type of space. Specifics for TIs are located in [section 3.6.2](#).

Table 3-4. Shell Definition for General Use Buildings

Base Building	Customer Agency Areas
Base structure and building enclosure components (windows with exterior finishes) are complete.	Broom-clean concrete floor slab, with a flat and level floor. ⁵
Base building mechanical, electrical and plumbing systems (e.g., central fire alarm, chiller plant, cooling tower) are complete and functional.	Gypsum wallboard, spackled and prime painted, on exterior perimeter walls and customer agency demising walls, without suite entry door.
All common areas, such as lobbies, elevators, fire egress corridors and stairwells, garages, and service areas are complete. (Circulation corridors are provided as part of the base building only on multi-tenanted floors where the corridor is common to more than one tenant. On single tenant floors, only the fire egress corridor necessary to meet code is provided as part of the shell.) ⁶	Suspended acoustical ceiling system including grid and lay-in tiles (or other building standard). Lighting luminaires should be installed in the ceiling grid for an open office plan at the rate of one fixture per 80 USF. ⁷ Lighting controls with ambient lighting adjusted per daylight availability, occupancy, vacancy, or other building automation system signals.
Building common restrooms are complete and operational.	
Building cores on each floor with assignable space contain the following: tappable domestic water riser, service sanitary drain, sanitary vent, ready for extension to tenant-demised areas. Electrical power distribution panels and circuit breakers available in an electrical closet, with capacity at 120/208 volt, 3-phase, 4-wire providing 4 watts per USF, excluding lighting and HVAC. Designated connection point to the central fire alarm system for extension to tenant-demised areas. Distribution backboard within a wire closet for connection to tenant's telephone lines. Vertical conduit (empty sleeve) through building core, available for tenant wiring and cabling.	Central heating, ventilation, and air conditioning (HVAC) systems are installed and operational, including, as appropriate, main and branch lines, variable air volume boxes, dampers, flex ducts and diffusers, for <i>open office layout</i> . Conditioned air through medium pressure ductwork at a rate of .75 cfm per square foot of usable area is provided. Sprinkler mains and distribution piping in a protection layout (<i>open plan</i>) with heads turned down, concealed with an escutcheon or trim plate, are installed.

⁵ Floor flatness and levelness should be sufficient for application of floor covering, typically ASTM Standard E 1155 with minimum overall F-number values of FF35 and FL25.

⁶ Refer to the PBS [NBSAP](#) for when space is assigned as common area versus customer agency area

⁷ Refer to Facilities Standards for the Public Buildings Service (P-100) for lighting performance requirements of new buildings or major R&A projects.

Table 3-5. Shell Definition for Warehouse Buildings

Base Building	Customer Agency Areas
Base structure and building enclosure components are complete including dock bays, platforms, dock levelers, ramps, apron, and overhead doors.	Broom-clean concrete floor slab, with a flat and level floor in accordance with ASTM Standard E 1155 and minimum overall F-number values of FF35 and FL25. Floor should have a minimum live load capacity of 350 pounds per square foot. Floor tolerances and loads can be revised to suit the project (e.g., very flat floors or specifying minimum local F values).
Base building mechanical, electrical and plumbing systems (e.g., central fire alarm) are complete and functional.	Gypsum wallboard, spackled and prime painted, on exterior perimeter walls and customer agency demising walls, is installed.
All common areas, such as lobbies, elevators, fire egress corridors and stairwells, garages, and service areas are complete. (Circulation corridors are provided as part of the base building only on multi-tenanted floors where the corridor is common to more than one tenant. On single tenant floors, only the fire egress corridor necessary to meet code is provided as part of the shell.)	Exposed ceiling. Lighting luminaires should provide 30 foot-candles in the shipping and receiving areas and 10 foot-candles in other warehouse areas.
Building common restrooms are complete and operational.	
<p>Building cores on each floor with assignable space contain the following: tappable domestic water riser, service sanitary drain, sanitary vent, ready for extension to tenant- demised areas.</p> <p>Electrical power distribution panels and circuit breakers available in an electrical closet, with capacity at 277/480 volt and 120/208 volt, 3-phase, 4-wire providing 1 watts per USF excluding lighting and HVAC.</p> <p>Designated connection point to the central fire alarm system for extension to tenant- demised areas.</p> <p>Distribution backboard within a wire closet for connection to tenant's telephone lines. Vertical conduit (empty sleeve) through building core, available for tenant wiring and cabling.</p>	<p>Unit heaters and ventilation system are installed and operational.</p> <p>Sprinkler mains and distribution piping in a protection layout (<i>open plan</i>) with heads turned down are installed.</p>

3.5.2. The Firewall Between Building Shell and Tenant Improvements

Both in terms of capital funding and in billing, the distinction between building shell and the TI area is critical to the effective operation of PBS pricing policy. With one exception (discussed below), the distinction between building shell and TI constitutes an impermeable barrier or "firewall" across which funding cannot shift. The budgets for the TIs and building shell are

independent and are not to be intermingled. If PBS constructs a building shell for less than the approved and authorized budgeted amount, the savings are available for reprogramming to other projects. Savings are not available to defray additional TI costs.

Conversely, if the bids to construct the building shell exceed the project budget for the shell, TI allowances may not be used to make up the difference. Rather, PBS must seek additional funding or examine the specifications for ways to lower costs.

Exception: Only in the case of a prospectus-level project for which there is a cost overrun on the purchase of the site or on the construction of the shell may funds be moved from the TI allowance budget to the building shell budget, and then, only with the customer agency's consent. Since the prospectus does not compartmentalize the budgets, and since the TI work is still to come, it is possible that the entire project can still be completed within the authorized funding. Seeking to lower the TI budget should only be undertaken after other remedies, including plans and specifications reviews, bid descope, and value engineering have been examined.

3.5.3. Shell Rent

The shell and base year operating rent, also known as the fully serviced Rent, is based on a FAR appraisal. Shell and base year operating rents are established for 10-year periods. The shell rent remains level during the entire 10-year period. The base year operating rents are escalated each year. See [section 3.7](#) for procedures for operating rent escalation. At a minimum, a new FAR appraisal is conducted every 10 years. More frequent FAR appraisals may be obtained, as needed, at a frequency of no more than one per 12-month period, to reflect changing market conditions, new tenants, varying schedules in the OA expirations, or for backfill of vacant space.

Fully serviced Rent rates may not be preset for periods longer than 10 years. OAs may be written for longer terms, as the standard term is 10 years. A standard clause in the OA states the fully serviced Rents are reappraised every 10 years. When new market-based shell rents are issued for continuing occupancies, PBS applies the shell rate to all occupancies in the same building that have OAs expiring in that year. Market-based rents for continuing occupancies consist of fully serviced shell rent including the amortized TIs, also known as an as-is rate. PBS does not distinguish between occupancies for building-based amenities (e.g., floor elevations, street frontage, window views). PBS assigns customer agencies specific locations within a multi-tenanted building; customer agencies do not individually choose which floor or suite they occupy.

PBS has an obligation to maintain and, as needed, replace all elements included in the definition of building shell. A completed ceiling is part of the building shell, therefore PBS re-lamps building standard lights in customer agency space and replaces broken ceiling tiles without additional charge to the customer agency. PBS will also, on an as-needed basis, paint and recarpet common areas, but not customer agency areas.



Note: GSA is transitioning from 5-year levelized shell rates to 10-year levelized shell rates beginning in FY 17 through FY 21 to provide customer agencies the market advantages of a longer occupancy term. OAs with a 5-year shell rate will receive a 10-year rate after their current rate term expires.

3.5.4. General Storage Pricing

A reduced rate is applied to space assigned as GNS space (see definition in [section 3.4.8](#)). A GNS assignment implies the space has diminished use that would prohibit the space from otherwise being used as office space.

The policy for pricing the shell and base year operating rate for GNS space within a federally owned building is to set the rate at 50 percent of the fully serviced FAR rate for office space. The same FAR appraisal must be used for the GNS space as the office space in the customer agency's assignment. A separate OA is created for GNS and TFC space, and charged a reduced rate. Any amortized TI should not be placed in this separate OA, but rather the main OA for the occupant area. The discount does not apply to space priced under a ROI methodology.

3.5.5. Tenant Floor Cut Pricing

A reduced rate is applied to space assigned as TFC space (see definition in [section 3.4.9](#)). A TFC assignment is for a floor cut that eliminates otherwise Usable space.

The policy for pricing the shell and base year operating rate for TFC space within a federally owned building is to set the rate at 50 percent of the fully serviced FAR rate for office space. The same FAR appraisal must be used for the general storage space as the office space in the customer agency's assignment. A separate OA is created for GNS and TFC space, and charged a reduced rate. Any amortized TI should not be placed in this separate OA, but rather the main OA for the occupant area. The discount does not apply to space priced under a ROI methodology.

3.6. Pricing Standards – Tenant Improvements

3.6.1. Tenant Improvements Definition

TIs are the finishes and fixtures that typically take space from the shell condition to a finished, usable condition. The resulting space is complete, meets applicable building codes, and meets the customer agency's functional needs.

It is commonplace for there to be building standards for TIs (such as glass or solid wood for suite entry doors, a restricted color palette for paint and carpeting, a certain kind of blind for exterior windows). The existence of building standards does not mean that PBS covers these as part of building shell—they are still TIs. The standards simply represent restrictions on what the customer agency can elect to do within the tenant space.

Similarly, standards identified in design guides for LPOEs, courthouses, and other federal facilities are not part of the building shell simply because they are called “standards.”

3.6.2. Typical Tenant Improvements

TIs include:

- Electrical wiring, outlets, and horizontal conduit, including cable trays and hooks, within the customer agency's demised premises and to the building core. Telephone jacks, data jacks, and horizontal conduit, including cable trays and hooks, within the customer agency's demised premises and to the building core. (Telephone and computer wiring and cabling may be funded within the TI allowance or provided by the customer agency.)
- Carpeting or other floor covering; raised access flooring.

- Plumbing fixtures within the demised premises and all lines connecting to the building core—except for common bathrooms.
- Partitioning and wall finishes.
- Doors (including suite entry), sidelights, frames, and hardware.
- Millwork.
- Fire alarm wiring from building core to customer agency space and then within customer agency space; pull stations; strobes; annunciators; and exit signage within the demised premises.
- Thermostats.
- Humidification systems.
- Window treatments.
- Supplemental power, cooling or heating (above the open office plan layout capacities provided in the base building); higher rates of air exchanges (if it entails additional or upgraded air handling equipment); pathogen control systems; and all other special HVAC components required by specific customer agency needs, and customer agency program equipment (such as fume hoods and exhaust systems).
- Adjustment or repositioning of sprinkler heads to avoid conflict with customer agency's particular office partition layout; additional sprinklers required by local code to meet customer agency's layout, or ceiling grid adjustments and consequent repositioning of sprinkler heads to the center of ceiling tiles.
- Customer agency signage in the common corridor and within the customer agency's leased area. (An overall tenant directory in the building lobby is part of building shell.)
- Changes (moves) or additions to the open-plan lighting pattern, or to the open-plan HVAC distribution network (e.g., additional ductwork, ceiling diffusers) to accommodate individual office layout.
- Upgrades or changes to building standard items, such as plaster or vaulted ceilings, specialty lighting, and upgraded ceiling tile.
- Structural enhancements to base building to support unconventional floor loads, such as a library.
- High density shelving fixtures (permanently attached or physically integrated into the building)
- Private bathrooms, private elevators, or staircases within customer agency space specifically requested by the customer agency for its use.

3.6.3. Tenant Improvement Allowance

The TI allowance is the funding source that enables the space to be built out for occupancy to meet a customer agency's specific requirements. To accommodate the varying space needs of customer agencies, the TI allowance has two components—general and customization, defined in [sections 3.6.4](#) and [3.6.5](#), respectively. The TI allowance:

- Provides customer agencies with flexibility, choice, and savings incentives.
- Is commonplace in the commercial real estate market.

- Allows PBS to budget more reliably since respective obligations are defined at the outset.
- Enables separate treatment of TI costs in the Rent, allowing clear tracking of amortizations.
- Helps PBS and customer agencies comply with appropriations law and with the Office of Management and Budget (OMB) requirement that PBS set limits on amounts that can be amortized in Rent.

Special equipment (e.g., private elevators, supplemental cooling units, uninterruptible power sources) provided above the building shell at the customer agency's request and for customer agency use is chargeable against the TI allowance. In addition, PBS may request reimbursement for additional utility consumption and operation and maintenance for the special equipment (see [section 3.7](#)) with the exception of private elevators and lifts. PBS will not seek reimbursement for operation and maintenance of these two items. The eventual replacement or upgrading of the equipment is at the customer agency's expense— including major repair or replacement of private elevators and lifts; it may also be funded by PBS, subject to availability of funds, as a TI and amortized into the customer agency's Rent.

The following provides information on the specific application of the TI allowance to different space assignments.

- **Initial occupancies (including expansions)** – these assignments are new to a specific customer agency in new space that is in shell/first generation condition. (See the next point on backfill occupancies for relet/second-generation space.) For initial occupancies, PBS is obligated to provide the full TI allowance (both the general and customization components) in accordance with the customer agency's assigned tier or functional space estimates—see [sections 3.6.6](#) and [3.6.7](#). Customer agencies may not buy down the general allowance in first generation space through use of an RWA; to do so would be an improper augmentation of PBS's appropriation. If PBS does not have funds available, PBS must work with the customer agency on the timing of the initial occupancy to schedule the project when funding is available. See [section 3.6.10.A](#) for lump-sum payment options available to customer agencies that want to minimize their TI rent obligation.
- **Backfill occupancies** – these assignments occur when PBS has existing, built-out space (relet/second-generation space) that is vacant and available for a new customer agency. The full TI allowance or functional space estimate may be provided subject to the availability of PBS funds. See [section 3.2.3](#) for more details on pricing flexibility in backfill occupancies and [section 3.6.10.A](#) for lump-sum payment options available to customer agencies that want to minimize their TI rent obligation.
- **Mid-occupancy/post-initial occupancy request for TI** – these assignments occur during the occupancy term outlined in the OA. PBS is not obligated to provide a customer agency a TI allowance at any time during the occupancy term after initial space alterations are complete. Customer agency-initiated space changes, replacements, or enhancements after initial occupancy during the same OA term are typically funded by the customer agency. If the customer agency desires to remodel/realign space at any time during the OA term, the cost for the TIs, as well as the cost to replace shell elements demolished or removed in the course of the remodeling work, are the customer agency's responsibility.
- **Continuing occupancies** – these are assignments beginning a new OA term upon the expiration of a prior OA term in the same space. Provided funds are available in the PBS budget, PBS may, at customer agency request, fund and amortize minor

alterations or carpet and paint. See [section 3.2.2](#) for more details on continuing occupancies.



Note: The TI allowance is set in accordance with the customer agency's tier (see [section 3.6.6](#)) or based on a cost estimate to provide functional space (see [section 3.6.7](#)). The TI allowance for warehouse buildings is set differently (see [section 3.6.13](#)).

3.6.4. General Component of Tenant Improvement Allowance

The general component is a dollar amount per USF set to cover the cost of typical office space finish components such as doors, minimal partitions, carpeting, electrical and telecommunication outlets, or other standard “work letter” items. The general component, currently \$49.13 per USF, takes the space from shell to “vanilla” office space. This allowance is set nationally and indexed to local construction costs. The general TI allowance is provided by PBS to all prospective customer agencies in initial first generation occupancies. (See [section 3.6.10.B](#) for an exception in relet space.)

The PBS Office of Portfolio Management and Customer Engagement annually reviews the general allowance for Washington, D.C., the index city, and issues a new rate if market conditions warrant. The general allowance is adjusted for other major cities and localities by multiplying the index city amount by the appropriate local construction cost factor. The local construction index is also reviewed and adjusted each year.

3.6.5. Customization Component of Tenant Improvement Allowance

Like the general component of the TI allowance, the customization component is also a dollar amount per USF, but it is tailored to individual customer agencies. This component is intended to cover special items, preparations, or finishes that are not typical to all office space, but are necessary to customize the space for a particular customer agency. The customization component takes the space from vanilla office space to space specifically designed to function for a particular customer agency. Examples of customization items include custom cabinetry or millwork, laboratory countertops and fume hoods, private restrooms, raised access flooring, upgraded ventilation for high occupancy uses, slab-to-slab walls, broadcast quality lighting, and sound attenuation.

PBS has created a series of customization tiers—tier 0 to tier 6. Each tier is equal to one-tenth of the value of the general allowance. Tier 1 is 10 percent above the general allowance, tier 2 is 20 percent above the general allowance, and so on. Each customer agency and bureau is assigned a tier based upon a computation that takes the blended average of the cost to PBS to construct all space assigned to that customer agency or bureau. The blended average is not an attempt to cover all costs, but to provide equivalent value for what PBS had provided under the previous pricing practice. The establishment of

general and customization allowances is not intended to eliminate the need for lump-sum RWA payments. See [section 3.6.12](#) for procedures to raise a customer agency's tier.

Customization allowances are not adjusted because they are a percentage of the general allowance, which is already adjusted for inflation and indexed to local construction costs. Adjustments to the general allowance automatically translate into proportional adjustments to the customization allowance.

3.6.6. Setting the Tenant Improvement Allowance by Customer Agency Tier

Follow these steps to set the general and custom TI allowance based on the customer agency's tier:

1. Determine the general allowance as indexed for the metropolitan area for the proposed project.
2. Look up the customer agency's customization tier, found in the OA tool.
3. Using the customization tier, determine the customer agency's customization allowance, based on the indexed general allowance.
4. Add the customization allowance to the indexed general allowance for a total TI allowance.
5. Multiply the total TI allowance by the USF to be assigned to the customer agency.

3.6.7. Setting the Tenant Improvement Allowance by Functional Estimate

The general and customization TI allowances are not to be used for projects when the following are available:

- An extensive development of a space program of requirements (POR) for the customer agencies; and
- PBS cost estimates (using established national benchmarks or other measures that determine the cost estimate for functional tenant space based upon that POR).

For these projects, the TI allowance is set in accordance with the benchmarks or cost estimates described above. For instance, in the case of a new courthouse, PBS relies upon a benchmarking process to estimate the dollars needed to design and construct not only the building shell, but also the customer agency spaces. Therefore, instead of assigning the Administrative Office of the United States Court (AOUSC) and other federal customer agencies a TI allowance consisting of the general plus their assigned customization tier, it is appropriate to set the TI allowance to the cost of the benchmarks. Functional estimates are also applicable when a particular block of space is not typical for a customer agency and additional buildout is required to meet the functional needs of that space type. For example, it would cost more to do a renovation and alteration project of only a courtroom or cellblock without the offsetting lower cost of office space buildout.

In the case of non-prospectus projects, an extensive development of space POR or benchmarks may not be available. However, PBS is to provide the customer agency with physical functional space that meets its operational needs, based on PBS's cost estimates.

This still requires providing a monetary allowance so that the customer agency can make choices between buildout elements, as long as the space is finished, functional, and compliant with all applicable building codes.

The standard for determining the revised TI allowance is that it covers the cost of basic functionality (operational requirements) for the specific space's use. The standard applies whether PBS contemplates a revision to a TI allowance in accordance with benchmarks or a cost estimate to deliver functional space, or as a consequence of a customer agency request. The standard is not based on the total cost of TIs. The distinction is functionality versus finish, fixture, and feature enhancement.

Example

A project includes private offices with wainscoting and private restrooms. If speech privacy is necessary for the confidential interactions and work processes of a tenant, then the private offices and related sound mitigation, such as slab to slab partitions, can be considered part of the basic functional standard. The wainscoting and private restrooms would be considered above standard. Please note that any sensitive compartmented information facility requirements are considered an OMB Circular A-11 special feature or enhancement. Refer to [section 3.6.11](#).

PBS is not obligated to ensure all aspects of a customer agency's design guide or design guidelines are incorporated into its TI allowance. A customer agency's design guide typically provides for a wide degree of latitude in the selection (and value) of finishes and fixtures for tenant space. PBS does not accept design guides as a substitute for the benchmarking process or the judgment of Regional Portfolio Directors in setting allowance levels.



Note: If setting the TI allowance by functional estimate results in an increase to the amount of the TI allowance set by the customer agency's tier, a pricing deviation defining the basis for the adjustment must be approved by the Regional Portfolio Director.

3.6.8. Amortization of Tenant Improvement Allowances

For occupancies where PBS funds the TI allowance, the TI amount expended is amortized in Rent. The standard term for amortizing TIs is 10 years. Term adjustments may be made for a specific occupancy or customer agency.

There are two rules for limiting amortization terms for TIs:

1. The amortization term must not exceed the economic life of the improvements.⁸
2. The amortization term must not exceed the term of the OA.

The amortization period starting date is based on completion and acceptance of the TI buildout. While buildout of TIs can be delayed, e.g., change orders, PBS does not permit

any unspent portion of the TI allowance to be "banked" for future buildout. PBS only amortizes whatever portion of the TI allowance is actually expended to avoid the risk of overpayment.

Customer agencies may shorten the amortization period to one year (lower if the OA term is shorter), but may not lengthen it beyond the rules limiting amortization terms. Multiple amortization periods can be entered into a customer agency's OA for special cases such as phased projects. The amortization must follow the two rules above for limiting amortization terms.

Upon expiration of the TI term, the periodic payment amortizing the TIs ends, and the Rent is reduced to an as-is appraised rate. With the amortization of TI costs over a specified period, PBS recovers the initial capital invested in those improvements, plus interest, but nothing more. Customer agency Rent payments do not compensate PBS for periodic refreshing or replacement of TIs. It is the customer agency's obligation to pay for any additional or new TIs.

⁸ The amortization period for courtroom and chamber assignments can be 20 years. The amortization period for all other court assignments is 10 years.

If funding is available, PBS may offer to pay for new TIs and amortize the TI into the customer agency's Rent.

The interest rate for the amortization of TIs over any period or term is the 10-year Treasury bond rate, plus 12.5 basis points. The resulting rate is also known as the Federal Financing Bank (FFB) rate, or the interagency borrowing rate. Although this rate varies daily, the PBS Office of Portfolio Management and Customer Engagement sets the rate in the spring of each year. To provide a more predictable Rent, PBS does not change the interest rate for a TI project once its value is established in a draft OA. Once an OA is billing, both the TI rate and term are set and remain the same for the amortization period.

3.6.9. Application of Tenant Improvement Allowances

Sections 3.6.4 and 3.6.5 describe the individual TI allowance components (general and customization) and how they are formulated. This section describes how the components are used by customer agencies to fit out their space.

Since the customer agency elects how its space is to be finished, the customer agency controls the costs of the buildout. If an amount less than the allowance limit is used, the resulting Rent payment is lower. If the full allowance is not used for initial buildout, it is no longer available for future buildout needs. PBS does not monitor the use of the TI allowances to ensure that the general component is used only for office-type finishes and the customization component only for specialty work. The sum of the two components represents the funding available for the buildout the customer agency elects, as long as the space is finished, functional, and compliant with all applicable building codes.

The TI allowance (general and customization components) may be used only to pay for items that are real property, or which become real property when attached or affixed to the building. The TI allowance is not available to fund personal property, such as furniture, microwaves, refrigerators, artwork, personal computers, audiovisual equipment, televisions for conference rooms, phone handsets, or physical relocation expenses of personal property. PBS lacks the authority to use budget activities that fund the TI allowances for personal property purchases. Modular wall systems that serve as the functional equivalent of drywall partitions and belong to the building owner at the end of the occupancy term may be purchased with the TI allowance.

Customer agency-driven enhancements to the building shell are, by definition, TIs, not shell elements. If a customer agency wants to enhance the building shell, such as upgrading the HVAC, adding an elevator, increasing floor loads, or using specialty lighting in occupant areas instead of the building standard fixtures, these costs are chargeable to the customer agency's TI allowance. Using the tenant allowance to enhance or modify building shell is not a violation of the firewall discussed previously.

In the case of initial and backfill occupancies, space planning services through design development and services provided by construction management (CM) firms hired for design development review are provided by PBS as part of the shell rent. The costs of generating construction documents are charged against the TI allowance.

In the case of other occupancies where PBS provides a TI allowance, all soft costs (space planning, design and CM) as well as hard costs (labor, materials, general conditions, overhead, and profit for the general contractor and subcontractors) are charged against the TI allowance.

Customer agency-driven security features may be funded through the TI allowance as outlined in section 3.6.11. BSAC items are a separate capital investment in the property. This separate security investment is not included in the building shell or TIs for allowance or rate setting purposes, as discussed in section 3.10.2.

For all design and construction projects in federal buildings, PBS must track the separate customer agency allowances and what is charged against them for each customer agency. In the case of multiple customer agencies, this may involve separate bid packages for each customer agency's work. However, requiring separate bid packages does not necessarily mean there must be separate contractors; it does mean, however, that contractors must be asked to distinguish between the TI costs for each customer agency. The breakout of project costs between shell, TI, and security work is required to prepare accurate customer agency OAs.



Note: For phased projects, the TI allowance should be allocated among each phase. This separation is important in order to avoid a situation where increases in buildout cost, such as customer agency change orders, in an early phase leave no TI allowance remaining for a later phase. Reallocation of the TI allowance among phases is permitted to accommodate work items done in a different phase than originally planned.

3.6.10. Lump-Sum Payment Options for Tenant Improvements

In limited circumstances, customer agencies may make lump-sum payments that effectively lower or replace the TI allowance. Customer agencies must fund any buildout costs above the TI allowance through a lump-sum RWA payment.

A. Lower or Zero Customization Tier

If a customer agency elects to waive or set the customization allowance lower than what PBS would otherwise provide the customer agency, whether using the customization tier allowance or an estimate of functional space, the following requirements apply:

- The customer agency request for a lower or zero customization tier must be made before the award of any contract for the design or construction of the TIs.
- The customer agency may elect to lower the allowance to any value between its assigned customization tier and the general allowance amount.
- The customer agency's election of a lower TI allowance must be recorded in the OA.
- Once the customer agency elects a lower TI allowance amount, the amount is fixed.

Once the TI allowance is set, then PBS has agreed to fund the allowance from the FBF and amortize the cost to the customer agency. If the customer agency then seeks, before Rent start, to buy down the TI allowance, the lump-sum payment (without interest) must be made through Rent, using a billing adjustment in the OA Tool, rather than through an RWA.

B. Relet Space

Relet space is second-generation space that already has TIs installed for a prior customer agency. This commonly occurs in backfill space when the space is already finished with complete TIs in place. If the customer agency elects to modify the space, then it is the customer agency's obligation to pay for any new TIs. This payment may be done lump sum through an RWA. This is allowed because TIs are pre-existing, and the rental rate for the space reflects these improvements (i.e., it is an as-is rate).

Therefore PBS has fulfilled its appropriation obligation to provide the customer agency with the basic, functional space.

If funds are available, PBS may fully or partially fund and amortize a customer agency request for TIs. In such a case the customer agency makes the choice whether to pay TIs lump sum through an RWA or amortize into its Rent.

C. Restrictions on Lump-Sum Payments

Lump-sum payments are subject to the following restrictions:

- PBS does not allow customer agencies in mid-occupancy term to make lump-sum payments for TIs already being amortized. Customer agencies may not use end-of-year money to reduce future Rent obligations.
- PBS does not accept lump-sum payments to defray future year ordinary Rent obligations, since these constitute prepayment of Rent. Most customer agencies are barred by fiscal law from using current year funds to meet a future year's obligation.
- PBS generally does not accept lump-sum funding to defray the cost of capital expenses that are inherently PBS's to pay; to do so could constitute an improper augmentation of PBS's appropriation.



Note: In cases where timely PBS funding of shell elements is impractical, PBS may accept lump-sum payments from customer agencies for federal building shell elements if they certify their funds are available for this purpose. There is an expedited national approval process for accepting an RWA for building shell work that addresses fire, life safety or accessibility issues provided all other RWA acceptance requirements, such as bona fide need and cost estimate, are met. PBS determines any appropriate Rent consideration for customer agency funding of building shell elements and provides it after substantial completion.

- Customer agencies may buy down their customization tiers and they may pay lump sum for enhancements to building shell since these enhancements are, by definition, TIs.

PBS may only accept lump-sum payments for TIs as outlined in the following table:

Table 3-6. Lump-Sum Payment Options for Tenant Improvements

Timing of Lump-Sum Payment ⁹	Requirement	Payment Method
Before contract award	PBS allows the customer agency to use lump-sum payments to lower the TI allowance	RWA
Before contract award or before change to scope of work	PBS requires lump-sum payments, in full and in advance, to cover costs above the TI allowance	RWA

⁹ Refer to PBS National Policy Document for Reimbursable Work Authorizations for requirements and timing of RWA acceptance.

Timing of Lump-Sum Payment ⁹	Requirement	Payment Method
Before contract award	PBS requires customer agencies to fund, in full and in advance, the cost of space changes to an existing assignment	RWA
At the time a customer agency exercises its right to release space back to PBS	PBS requires a lump-sum amount equal to the outstanding balance (principal only) on the TIs that PBS has been amortizing in the Rent	Rent through OA Tool
When an expanding customer agency displaces another customer agency	PBS requires the forcing customer agency to pay PBS for the unamortized balance of the TIs of the displaced customer agency	Rent through OA Tool

Certain lump-sum payments must be made using Rent through OA Tool rather than by RWA. This is necessary because the budget accounts (BA-51, BA-53, BA-54, or BA-55) from which PBS normally covers the expense associated with payment are not reimbursable accounts, they are accounts funded by customer agency appropriations paid to PBS in the form of Rent. Simply stated, any expense that PBS would normally cover from its revolving fund is paid for by customer agencies through Rent; any expense for which PBS did not budget (e.g., above the allowance limit) is paid for by customer agencies through RWA. Consequently, the lump-sum payments to buy down the Rent below a customer agency's customization tier after the allowance is set must be credited to the FBF.

3.6.11. Application of OMB Circular A-11 Appendix B to Specific Space Actions

OMB Circular A-11, Appendix B requires a specific set of rules apply to each space or project type (i.e., leased, owned, prospectus, and below prospectus) as it relates to the value of features and enhancements that are built or added for the government's unique needs or special purposes. Each project type and its specifics are outlined below.

A. Prospectus – Owned

- The TI allowance is to be set in accordance with the benchmarks or cost estimates to provide functional space, not the customer agency's tier.
- The benchmark or cost estimate must include customer agency-specific security-related buildout, such as holding cells, sally ports, and special shielding to prevent electronic eavesdropping, necessary for the customer agency to function. The customer agency's Rent may exceed high-end market rent, providing the improvements are within the functional standard for the customer agency.

B. Nonprospectus – Owned

- The TI allowance is to be set in accordance with the customer agency's tier or set based on a cost estimate to provide functional space. The customer agency should be provided (within PBS's ability to fund) the full set of TI allowances at initial occupancy.

- The TI allowance includes customer agency-specific security-related buildout, such as holding cells, sally ports, and special shielding to prevent electronic eavesdropping, necessary for the customer agency to function. The customer agency's Rent may exceed high-end market rent providing the improvements are within the functional standard for the customer agency.



Note: A customer agency may not pay lump sum for shell and first generation general tenant allowance elements (see [section 3.6.10](#)). Also, if a cost estimate is used to determine the allowance, PBS must deliver basic functional space without customer agency lump-sum payments. If basic functional space cannot be delivered below the prospectus dollar limitation, prospectus authority must be sought.

3.6.12. Changing or Appealing a Customer Agency Customization Tier

PBS assigned each customer agency, by agency/bureau (A/B) code, to a specific customization tier based on the entire agency's space holdings with PBS (blending office with other types of usage). Consequently, a customer agency's customization tier may not be adequate to provide functional buildout for a predominantly special purpose use.

Similarly, for a new, predominantly office space use, the general and customization allowances may provide more funding than the customer agency needs to build out the office space. PBS accepts that, since the allowance tiers were designed to fund a blend of space types (average for each customer agency), individual requirements will arise occasionally for which the assigned customization tier is inadequate. Regional Portfolio Directors have the authority, on a case-by-case basis, to raise the tier or otherwise increase the TI allowance when the unusual buildout needs of a proposed occupancy so warrant, or appropriate documentation and information is available to determine the allowance needed to provide functional space. This action must be documented in a pricing deviation approved by the Regional Portfolio Director.

If a customer agency determines that its assigned nationwide customization tier is inadequate to meet its buildout needs, it may appeal its tier level to the Assistant Commissioner of the PBS Office of Portfolio Management and Customer Engagement. Tier level appeals must demonstrate, through an analysis of several occupancies, that the customer agency or bureau's tier level allowance is consistently and materially less than what is required to provide functional space. An appeal of a customer agency's tier level is not a Rent appeal and does not follow the Rent appeal process.

3.6.13. Tenant Improvement Allowances for Warehouses

The TI allowance for warehouses is 20 percent of the general allowance, as adjusted for locality. If the TI allowance is used to construct offices or other habitable or conditioned spaces within a building that is classified based on its predominant use as a warehouse, then the 20 percent general TI allowance is used to construct all the shell and TIs necessary for that office (or other use). In a warehouse building, PBS charges a warehouse rental rate.

There is nothing in that warehouse rental rate that would compensate PBS for the typical shell elements present in office buildings (e.g., bathrooms and other building common amenities, and complete suspended ceilings with lights and HVAC above, in the office area proper). The only way that PBS is compensated for these traditional office shell elements in warehouse buildings is by having all of the costs of the office buildout charged against the TI allowance. The

amortization of these TI costs in the Rent returns the capital PBS invested in the non-warehouse buildout.

If there is a significant amount of office space and warehouse space in the same building or customer agency space assignment, the total TI allowance may be a blended rate between the warehouse TI allowance (at 20 percent of the general component) and the customer agency's total tier allowance for the office space.

3.7. Pricing Standards – Operating Costs

Operating rent rates are developed through FAR appraisals rather than actual PBS costs. An exception is return on investment (ROI) pricing, where actual PBS operating expenses may be billed (see Chapter 6 for a full discussion of ROI pricing). The use of appraisal-based FAR operating costs provides customer agencies with industry benchmarked operating costs. This practice insulates customer agencies from the risks PBS undertakes in operating buildings.

The appraisal-based operating rent rate for a building classified as general use covers the provision of building services and utilities typical for the operation of an office building. Base year operating rent rates are escalated annually by the OMB inflation factor on the effective escalation month of the OA. As stated in [section 3.5.3](#), the base year operating rent rates are reappraised every 10 years. Standard utility, maintenance, and custodial services are summarized below.

A reduced rate is applied to space assigned as general storage (GNS) space (see [section 3.4.8](#) and [3.5.4](#)) and tenant floor cut (TFC) space (see [section 3.4.9](#) and [3.5.5](#)). The policy for pricing the shell and base year operating rate for general storage and tenant floor cut within a federally owned building is to set the rate at 50 percent of the fully serviced FAR rate for office space. The operating escalations apply to this portion of the fully serviced GNS and TFC rate.

Per a December 2016 MOA between GSA and the AOUSC, operating costs for all federal buildings with judicial operations and more than 75 percent of the RSF occupied by the Judiciary, Department of Justice - U.S. Marshals Service, and Department of Justice - U.S. Attorneys, or formerly ROI-priced courthouses will be based on the following actual operating expenses: utilities, cleaning, operating and maintenance, roads and grounds, field office general and administrative (G&A) expenses, and any actual operating costs mutually agreed to by GSA and the Judiciary. Specifically excluded are regional G&A, national G&A, and "other" expenses. Actual operating expenses, subject to standard hours of operation (see [section 3.7.1](#)), for the most recent full year will be used to establish the operating rents for the next Rent Estimate. For example, FY 16 actual costs establish the operating rent for FY 19. Operating rent for these buildings will be calculated without escalation and distributed proportionally to all customer agencies based on their respective proportion of RSF.

3.7.1. Utilities

Standard utilities are based on a one-shift office operation, Monday through Friday, excluding federal holidays. PBS provides a consistent heating or cooling temperature for 10 operating hours. For buildings with 24 hours per day operation, PBS provides one 10-hour shift, Monday through Friday, excluding federal holidays. Service beyond 10 hours is on a reimbursable basis.

The facility manager, in consultation with the customer agencies, determines the 10 hours of standard operation to accommodate the majority of customer agencies. In certain situations, such as with multi-tenant buildings, PBS is unable to accommodate every customer agency's varying work shifts within the standard 10 hours of operation. Customer agency operations above the established 10 hours of operation require reimbursement to PBS.

PBS customer agencies may use their assigned space and supporting automatic elevator systems, lights, and small office and business machines (including personal computers) on an incidental basis outside of the 10 hours of standard operation without additional charge, unless specified otherwise in the OA. This is subject to limitations required by building control systems or planned outages associated with scheduled system maintenance.

PBS does not charge for incidental utility usage associated with antennas assigned to building customer agencies. The antenna charge covers the cost of utility consumption by the antenna operation.



Note: Customer agencies may wish to contract for their own utility services. If so, they must use a GSA Areawide Public Utility Contract or have a delegation provided by GSA.

3.7.2. Maintenance

PBS uses a national operation and maintenance specification to maintain all of the following according to applicable laws, codes, regulations, or industry standards:

- Building standard systems and operating equipment for heating and cooling
- Building standard plumbing and electrical systems
- Building standard elevators and escalators
- Building standard safety and fire protection devices, equipment, and systems
- Building exterior
- Sidewalks and driveways
- Parking areas
- Directory board in building lobby
- Building standard entrance and exit door locks and closures
- Other building standard equipment
- Building and floor common areas

Repair, operation, and maintenance of customer agency program equipment are funded by the customer agency through an RWA; see section 3.7.4. PBS maintenance of customer agency program equipment does not cover diagnosis, repair, or removal of components or items that are defective, have faulted, or are worn out from age.

3.7.3. Custodial Services

PBS uses a national custodial specification to provide cleaning for assigned space at a standard comparable to commercial cleaning for similar commercial general use office space. The regional facility manager, in consultation with building customer agencies, determines whether daytime or after-hours cleaning are standard for the building. The standard is set based on the requirements of the majority of customer agencies (based on square footage). Deviation from the standard requires reimbursement from the customer agency of the increase in cost, if any. Standard custodial service includes:

- Vacuuming, sweeping, and dusting
- Damp mop and spray buff resilient floors

- Emptying and hauling trash
- Recycling at designated collection points
- Servicing restrooms, lobbies, corridors, and other common areas
- Servicing loading docks and platforms
- Washing windows (one washing per year)
- Carpet spot cleaning
- Snow and ice removal, and lawn and grounds maintenance
- Integrated pest management

The national custodial specification is performance based and frequency of standard service varies accordingly. Standard custodial service is provided during weekdays (Monday through Friday, excluding federal holidays).

3.7.4. Above-Standard Services

Customer agency spaces in a general use building may have operating and maintenance requirements that differ from conventional office space, due either to the particular space use or to the presence of special customer agency equipment or fixtures. The following services are provided on a reimbursable basis. Nonpayment will result in discontinuation of the above-standard service.

- Operation and maintenance and additional utility costs related to special customer agency program equipment or fixtures. Examples include a computer room containing items such as air handling units and/or power distribution module. Spaces such as these are not considered typical office space; therefore, operation, maintenance, and additional utility costs are reimbursable for all hours of operation. Private elevators and lifts are not included in this example (see [section 3.6.3](#)).
- Utility costs where the customer agency's requirement is to operate the building's HVAC system 24 hours a day. PBS provides 10 operating hours of HVAC service, 5 days a week, Monday through Friday, excluding federal holidays; therefore, service beyond standard hours is reimbursable.
- Special cleaning (above office standard) such as firing ranges.
- Equipment maintenance costs for supplemental air conditioning equipment in conference spaces, computer facilities, laboratories, chemical or film storage, libraries, and other special use space.
- Frequent plumbing service calls for pantries, plumbing fixtures associated with laboratory use, and private bathrooms. Service calls resulting in only incidental expense to PBS are performed at no charge to customer agencies.
- Uninterruptible power services.

PBS requests additional reimbursement for the costs to service Sally ports only when the overall costs to maintain the space exceeds the operating cost component of the Rent for the space type that PBS is already billing.

PBS must consider that in some instances, costs are avoided even while new or different costs are incurred. These offsetting effects must be considered before PBS requires that the customer agency provide additional operating cost reimbursement. However, PBS does not rebate Rent or process a credit to a customer agency when the cost of operating expenses, accounting for all differences, is less than the standard Rent charge for operating costs.

Costs of above-standard operating expenses may be billed via the traditional RWA process using the standard RWA form or on the PBS Rent bill through OA Tool. If the RWA mechanism is used, the RWA management fee is applied. If OA Tool is used for billing reimbursable services, the cost of the service must be identical each month. An annual fee, currently \$100 per service rendered, is charged to the customer agency when billing for reimbursable services on the PBS Rent bill. The process regarding OA Tool billing of recurring reimbursable services is described in [section 3.13](#). Regardless of the payment mechanism, above-standard services are a reimbursable expense. Reimbursement for new, above-standard services requested by the customer agency should begin immediately.

3.8. Pricing Standards – Real Estate Taxes

PBS is required by law to charge a commercially equivalent Rent for all space and facility needs for its customer agencies. Market-equivalent shell rents inherently include a provision for expense items not typically found in buildings under federal ownership. Therefore, there is no separate Rent component for real estate taxes in federally owned space.

3.9. Pricing Standards – GSA-Installed Leasehold Improvements

This component is not applicable to federally owned space.

3.10. Pricing Standards – Security

In accordance with the Homeland Security Act of 2002, the DHS FPS provides security and law enforcement services to facilities under the jurisdiction, custody, or control of PBS through an MOA. The current MOA became effective in 2018.

There are three types of security items and charges outlined here and fully defined below:

1. Basic security and building-specific security are provided and billed to customer agencies by DHS FPS.
2. Building-specific security defined as BSAC charges are for building-specific security fixtures and security equipment provided in a prospectus project funded by PBS and billed to customer agencies by PBS.
3. Tenant-specific security is funded directly by the customer agency with an RWA to PBS or SWA to FPS depending on the type of security provided.

3.10.1. Basic Security

Basic security charges are billed by FPS to all tenants in GSA-controlled space. FPS is responsible for notifying agencies of this rate. GSA will pay FPS only for the basic security in GSA-occupied space, vacant space in occupied buildings, vacant buildings that are in the process of disposal and space leased to non-federal tenants.

The basic security charge is developed by FPS and approved by OMB.

As outlined in the MOA, basic security includes the following:

- Law enforcement – patrol and response, criminal investigations
- Megacenter operations – security alarm monitoring and dispatch

- Facility security assessments – identification of risks and countermeasures
- Security consultation – new construction, major repair and alteration projects, leasing
- FSC participation
- Security assistance – occupant emergency plans and continuity of operations planning

3.10.2. Building-Specific Security

Through security surveys and consultations provided under Basic Security, FPS recommends building-specific countermeasures, including contract guards, security equipment, and security fixtures that mitigate security vulnerability. These countermeasures are implemented, as appropriate, in coordination with the FSC, which includes the federal customer agency representatives, a FPS representative, and PBS representatives.

A. Building-Specific Security Charge – FPS

Building-specific security charges are for items funded by FPS, including contract guards and security equipment. Security equipment is defined per the MOA Section 10, Services Provided by FPS, Item B.2. as:

“Security countermeasures that are not part of a building and easily removable from the building, such as x-ray machines, magnetometers, closed circuit video systems, and intrusion detection and alarm systems.”

FPS is responsible for the design, installation, testing, maintenance and repair of security equipment billed through the building-specific security charge or security work authorization.

Building-specific security charges are billed by FPS based on the program costs of FPS for each building or complex and prorated to each occupant agency by its total rentable square footage in the building or complex. FPS is responsible for notifying occupant agencies of these charges. PBS will pay FPS only for Building-Specific Security in GSA-occupied space, vacant space in occupied buildings, vacant buildings that are in the process of disposal, and space leased to non-federal tenants.

For security equipment provided as part of a prospectus-level project, PBS funds, installs, and recovers the cost of the equipment (see section B below). Upon completion of the project, GSA will transfer custody and control of the security equipment, excluding physical access control systems, as well as responsibility for its operation, maintenance, repair, and collection of funds for the operation, maintenance and repair of this equipment, to FPS.

B. Building-Specific Amortized Capital Charge - PBS

The BSAC charge is for security items that are a separate capital investment in the property. To be considered BSAC, the countermeasure must be based on ISC standards. BSAC charges are separately priced, identified in the OA, and when funded by PBS, are charged to customer agencies on their PBS Rent bill as BSAC. This separate security investment is not included in the building shell or TIs for allowance or rate setting purposes. All assignments within the building receive the same rate applied to the amount of space they are assigned plus their share of joint use space.

Security fixtures are identified in the MOA Section 11- Services Provided by GSA, Item H.1, Security Fixtures, as:

Physical security measures that are either part of the building or attached and not easily removable from the building. Security fixtures include vehicular barriers, such as bollards, pop-up and arm gates, doors, locks, HVAC security items (including filtration systems), exterior lighting, PACS, garage doors, security fencing and gates, guard booths (both attached to the building and free standing), and blast-resistant countermeasures. Card readers that serve solely as a locking mechanism at the building entrance, data closets, stairwells, roof access, and GSA space also are considered fixtures.

Window glazing and progressive collapse are other examples of security fixtures.

The capitalization threshold for building-specific fixtures adheres to PBS's accounting policy regarding the capitalization threshold for operating equipment, currently \$50,000. If PBS's capitalization threshold changes, then the threshold for building-specific fixtures will be adjusted accordingly. Security improvements over the \$50,000 threshold are treated as follows:

1. For security equipment (funded by PBS in a prospectus-level project) that is not integrated into the building structure (e.g., magnetometers, x-ray machines, cameras), the amortization period is 5 years.
2. For real property security fixtures added to an existing building, the amortization period is 10 years for those items installed as part of a minor repair and alteration project and 20 years for those installed as part of a major repair and alteration project.
3. For real property security fixtures erected when the building is first constructed, the amortization period is 30 years.

Real property security improvements under the \$50,000 threshold include repair and maintenance of security fixtures and are billed as a maintenance cost component of BSAC. They are not amortized; however, they are tracked over the actual year installed and then recovered over the following year at a flat rate per month. For example, a \$7,200 improvement yields \$600 a month.

The amortization rate for BSAC charges is the 10-year FFB rate, plus 12.5 basis points, which is the same rate used for amortizing TIs.

The BSAC charge has the potential to change annually if security items are added during the year. It is set by PBS at the beginning of each fiscal year. Once the amortization period and cost for current security items are set, they remain until the period has expired. As new security items are added to the building, PBS adds those items to the Rent bill the following year. The maintenance portion of this security charge may also vary from year to year. The amortized capital security charge is, therefore, a varying, but permanent part of the customer agency's Rent.



Note: Refer to [section 3.6.11](#) for additional security improvements guidance. That section covers the rules and processes for each space or project type as it relates to the value of features and enhancements that are built or added for the government's unique needs or special purposes and related directly to security fixtures.

3.10.3. Customer Agency-Specific Security

Customer agency-specific security items are security fixtures, equipment and features that are specific to one customer agency, requested by that customer agency and its internal security guidelines and not used in the entire building. The customer agency funds these security items with an RWA to PBS or SWA to FPS, depending on the items requested.

As stated in the MOA section 7-Services Provided by FPS, Item C, Occupant Agency- Specific Security:

“Occupant Agency-Specific Security includes additional, reimbursable services and equipment for agencies to meet any additional or unique security needs. Occupant Agency-Specific Security may include other requirements, such as agency-specific protective security officers (under FPS direction) and the design, purchase, installation, and maintenance of additional security equipment or fixtures. When the work is to be performed by FPS, FPS will coordinate with the GSA property manager and make any necessary repair to damage to the occupant agency's space or the building caused by, or incidental to, the installation, maintenance, repair, removal, or replacement of security equipment.”

For more information regarding security items requiring funding by customer agencies, refer to [section 3.6.11](#).

3.11. Pricing Standards – Billing Adjustments

A billing adjustment is a specific financial adjustment (either addition or reduction) included on a customer agency's Rent bill. Late processing for expansion space and billing error correction are examples of a billing adjustment.

Billing adjustments are dated in the month and fiscal year to which they belong. Billing adjustments must be made for the current and one prior fiscal year, regardless of amount. GSA also must make billing adjustments earlier than the prior fiscal year that exceed \$1,000 for an individual OA.

3.12. Pricing Standards – Antennas

For purposes of pricing, an antenna is any device of a federal agency located on a public building or on PBS-controlled land, which can be used to transmit or receive electromagnetic signals. Antennas are devices for the transmission, relay, or reception of television, AM or FM radio, cell phone, or microwave signals. A tower located on PBS-controlled land is not an antenna; however, equipment attached to that tower that fits the above description is an antenna for pricing purposes.

From time to time, but no less frequently than every 5 years, the PBS Office of Portfolio Management and Customer Engagement commissions a study to establish a charge for antenna sites. The majority of antenna sites used by customer agencies are priced based on this study. Antenna site charges determined by the study are to be set for the remainder of the current fiscal year. Antenna charges set by the study are escalated annually at the beginning of the fiscal year using the OMB inflation factor. The antenna rate is on a per antenna basis and not on a per-square-foot basis.

The antenna charge may be determined by appraisal in those cases where the market rent is estimated to exceed the established annual charge by 50 percent or more. The appraised FAR

rate for the antenna must be based on the prevailing market practice for comparable antenna use, such as where the antenna is owned by customer agencies who also occupy space in the building. The cost of the appraisal should be taken into consideration in determining whether to set the charge by appraisal.

Generally, if the cost of the appraisal exceeds the estimated annual rental, the established charge should be used. The appraisal is performed every 5 years, with escalation during the intervening years as determined by the appraisal. If escalation is applicable, it will occur at the beginning of the fiscal year.

FPS assignments are not charged for antennas that support building security. There is no additional charge for antennas in space priced by the ROI approach. Antenna sites outleased to a private-sector tenant are priced based on local market rates.

3.13. Pricing Standards – Reimbursable Services

This PBS Rent bill component is used to recover the cost of reimbursable services that are above standard operating expenses. OA Tool can be used to recover expenses when the cost of the reimbursable services rendered to a customer agency is identical from month to month. The reimbursable recurring services billed through OA Tool are limited to:

- Overtime utilities
- Enhanced custodial services
- Mechanical operations and maintenance (O&M) - HVAC
- Mechanical O&M - other

To participate in this program, the person who receives the customer agency Rent bill must agree, in writing, to have the reimbursable services billed to the same Intra-Governmental Payment and Collection System or Billing Office Accounting Code number to which the customer agency's Rent is billed. Upon receipt of written acceptance, PBS Central Office identifies the customer agency as a participating agency. PBS documents the reimbursable service agreement between PBS and the customer agency each year by an updated OA version (see Appendix, Sample Format for Recurring Reimbursable Billing). The billing and services are discontinued automatically at the end of each fiscal year and must be renewed by the customer agency to continue receiving services and be billed via the PBS Rent bill. PBS charges an annual administrative fee, currently \$100 per service, to the customer agency for this billing accommodation. The first month's Rent bill containing the reimbursable services cost contains the administrative fee.

The cost for the reimbursable services must be paid from and reimbursed to BA-61 (Building Operations). PBS must also confirm that appropriate customer agency budget authority exists.

3.14. Pricing Standards – Total Workplace FIT

The Total Workplace Furniture & Information Technology (FIT) program enables customer agencies to minimize the upfront capital needed to reduce their space footprint through a lease-to-own arrangement. GSA's Integrated Workplace Acquisition Center provides the acquisition services for furniture and GSA's National Information Technology Commodity Program provides the acquisition services for information technology.

FIT program costs are covered under a Supplemental OA. While FIT charges are distinct from Rent, they are part of the monthly PBS Bill. New furniture can be amortized over five years and new information technology equipment over three years, but should not exceed the term of

the OA. No interest is charged, but a fee is added to the amortized cost of the Total Workplace FIT procurement to cover GSA acquisition services and PBS project management provided from design through delivery. For furniture this fee is 8 percent and for information technology it varies from 3 - 6 percent.

At the end of the FIT amortization term, the customer agency decides if it will take ownership of the furniture or information technology equipment.



Note: A project must meet certain requirements to be eligible for FIT program funding. These requirements promote the adoption of modern workplace design practices and efficient use of space and can be found at the [GSA Total Workplace FIT website](#).

3.15. Pricing Standards – Parking

Parking is charged based on a per-space rate as opposed to a per-square-foot rate. The rate per space is established from the most recent FAR appraisal.

PBS distinguishes between structured and surface parking types. Separate rates may be charged for different types of parking.

Building-specific security countermeasures recommended by the FSC for parking associated with a federally owned building (one building number) are recovered through the BSAC distributed over the RSF in the building. Building-specific security countermeasures recommended by the FSC for a standalone parking structure or surface lot (separate building number) may be recovered through monthly billing adjustments to the parking-only OAs. The BSAC charge for a standalone parking structure or surface lot follows the same pricing methodology as detailed in [section 3.10.2](#), except the percent of the total cost attributed to a customer agency is based on spaces rather than square footage.

The stipulations of the parking agreements for federally owned buildings are to follow the prevailing practices in the assets' local markets at the time the agreements are signed. Generally, the prevailing practice in most markets is for annual adjustments of parking rates. If this is the case in the local market for an asset at the time an OA is signed, then the OA is to reflect these adjustments. In some markets, especially a suburban or a soft market, the prevailing practice might be not to charge for parking. In this case, no parking charges are applied.



Note: As part of new building construction or a major modernization, GSA may provide electric vehicle charging stations, also referred to as electric vehicle supply equipment (EVSE) infrastructure, on a funds available basis. Otherwise, customer agencies may request installation of EVSE infrastructure, as outlined in [GSA Order PBS 5605.1](#). Provided parking is available and installation is feasible, customer agency pays for installation via RWA. Where available, GSA may also allow a service provider to fund installation, operation and maintenance of EVSE infrastructure in return for collecting fees.

3.16. Pricing Standards – Other Space

This billing category is used to charge on an annual basis for space types that have no square footage associated with them. Examples include ware yards, boat docks, and helipads. The Rent for these other spaces is determined through a FAR appraisal specific to the use.

3.17. Pricing Standards – PBS Fees

In federally owned space, PBS provides all applicable services equivalent to those covered by the fee in leased space, but with no additional charge beyond the shell rate. PBS accepts the FAR shell rate as compensation for the services described in this chapter. The services listed below are not in sequential order.

3.17.1. Services Provided by PBS

A. Prospectus Generation

If the dollar value of the construction project requires a prospectus, PBS works with customer agencies to identify requirements and perform the necessary analysis, including mandatory financial analysis of lease construction alternatives, to justify the prospectus. PBS, with supporting customer agency documentation, also defends the prospectus before OMB and Congress.

B. Requirements Development

PBS offers requirements development services to define requirements for new, expansion, or replacement space. PBS meets with customer agencies gather facts and analyze customer agency mission, employee work styles, workflows, personnel utilization, and security needs to prepare a preliminary Needs Assessment. If applicable, PBS may provide professional consulting services, using in-house or contracted staff, to develop requirements.

The deliverable is a comprehensive, formal requirements package that captures the customer agency's conceptual space needs. The official formal requirements package plus the development and negotiation of OAs with customer agencies are also provided in the requirements development stage.

C. Space Planning

For initial and backfill occupancies, PBS provides design services through design development. Design development drawings show partitions and doors; schematic demolition; voice, data, and electrical outlet locations; finishes; generic furniture layout; and any additional details necessary to communicate the design intent for the purposes of preparing construction documents. They do not contain mechanical, electrical, or plumbing specifications or drawings. They do not include furniture or computer and telecommunication specifications; nor do they contain signage, artwork, keying, or hardware schedules. Refer to the Level 1 drawing set in the [GSA DID Review Guide](#) for more information on what elements are included. Level 2 DID may be requested for more complex requirements or for projects with extensive security requirements.

Once the construction document stage has begun, customer agencies are responsible for the design costs for their TI work. These costs are charged against the TI allowance.

An initial submission of the design documents plus two onboard reviews are included. If the following items are requested by the customer agency, they should be funded with an RWA.

- Additional iterations of layout drawings
- Level 2 DID: Level 1 plus Reflected Ceiling Plan, Interior Elevations, Interior Sections, Partition Types/Sections, Door/Hardware Schedule
- Specification and finish schedules for furniture and equipment (i.e., personal property)
- Extensive program development, such as detailed performance specifications and cost estimates for specialty-type spaces such as laboratories, conference centers, and computer facilities.

D. Appraisals

When PBS requires an appraisal to determine the value of a property, the PBS shell rent covers the cost of the appraisal.

E. GSA Legal Staff Support

Legal support includes reviewing and giving counsel on any contractual matters regarding the owned property and improvements.

F. Occupancy Agreement

PBS prepares and revises OAs throughout the acquisition process and secures necessary signatures from the customer agency before a site is purchased or the design contract is awarded.

G. Environmental Studies

PBS conducts Phase I and, where warranted, Phase II environmental site assessments to identify potential or existing environmental contaminants. The cost of a NEPA study, such as a checklist categorical exclusion (CATEX), environmental assessment (EA) or environmental impact statement (EIS), is funded by PBS as the agency with jurisdiction, custody, and control over the building.

H. Post-Award Project Management Services

The project management services provided in the PBS shell rent are for initial and backfill space alterations funded by the TI allowance. For TIs above the allowance or after occupancy commences, PBS provides project management services for space alteration work for a separate fee, discussed in [section 3.17.2](#).

Project management is defined as oversight of the design, estimating, management and inspection, and customer agency relationship efforts for a specific project. PBS may perform these project functions using PBS employees or through contract employees hired by PBS to work as project managers. The tasks include the following:

- Schedule development, review, and enforcement
- Cost estimation (initial project budget estimate of shell, TI, A/E) and CM fees)
- Price negotiation of specialty items and change orders

- Milestone and final inspections (not daily inspections)
- Project cost reconciliation
- Follow-up enforcement so that punch list items are performed
- Space measurement and acceptance

For each project, PBS determines the level of project management oversight required to manage the project.

I. Property Management

PBS provides property management functions comparable to those in the operation of a conventional office building.

J. Fire and Life Safety

PBS assesses the level of fire risk in PBS-controlled space in accordance with PBS policy and applicable national and local codes, prior to and throughout a customer agency's space assignment.

3.17.2. Additional Services Not Included in the PBS Shell Rent

A. RWA Management Fee

For projects with TI work above the allowance, i.e., funded via RWA, PBS charges a RWA management fee for the oversight of the additional TI work. The intent of the RWA management fee is to cover PBS's indirect project costs nationwide, not necessarily on each project; therefore, it cannot be waived.

The RWA management fee does not apply to services PBS provides customer agencies for their physical moves, relocation management, or purchasing of personal property such as telecommunication equipment and furniture incidental to a space buildout.

These services are described below in [section 3.17.2.B](#). PBS must negotiate the recovery of those service costs with the customer agency. Telecommunication wiring and cabling may be funded within the TI allowance or provided separately by the customer agency—see [section 3.6.2](#). If funded by the TI allowance, the RWA Management fee only applies to the TI costs that exceed the TI allowance.



Note: Standalone furniture and personal property acquisitions via a RWA are charged the RWA management fee. To be considered standalone, the acquisition must not be incidental to a space buildout. Refer to [PBS External Policy Guidance for Standalone Option for Furniture \(and other Personal Property\) Acquisitions by RWA](#).

The RWA management fee covers indirect project costs, such as:

- Salary and benefits of PBS employees and contract employees hired by PBS to work as project managers when they are overseeing (administering) TI work.
- Business line overhead (regional and field office).

The RWA management fee does not cover direct project costs, such as:

- Contract costs for space programming, design services, construction, or the cost of a CM firm hired by PBS to provide management and inspection on a specific project.
- The cost of PBS employees who actually perform the design or detailed management and inspection of construction work.

For example, the RWA management fee does not cover the PBS employee's time performing construction management and inspection services, as those costs are directly charged to the project. However, if PBS hires a CM firm, the PBS employee's work is considered oversight and the RWA management fee covers the employee's time overseeing the CM contract.

The RWA management fee is applied to the sum of the following direct costs:

- Design and CM contract services for space alteration work
- PBS employees' time actually performing the design or CM work
- Construction costs
- Travel

Generally, PBS does not charge for travel associated with oversight of a project unless the customer agency requests more frequent site visits than PBS deems necessary. In circumstances where the work site is remote (outside of commuting area), PBS may request that the customer agency agree to reimburse PBS for the travel expenses (e.g., per diem, airfare, car rental, mileage) of PBS employees overseeing the project, beyond the RWA management fee. In these cases, PBS must estimate the travel costs, and secure the customer agency's consent to the charges. Chargeable travel expenses do not include the salaries of the PBS employees overseeing the project (see Appendix, RWA Management Fee Structure).



Note: A sliding scale overhead charge that covers all nonbusiness-line overhead is applied to the total value (including the RWA management fee) of all nonrecurring RWAs.

B. Other Services not Included in the PBS Shell Rent

PBS provides a range of services to support customer agencies throughout the space acquisition process. Upon request, PBS will make the following GSA resources available to customer agencies; actual cost for provision of these services is outside of the PBS shell rent:

- Telecommunication network services and information technology
- Furniture, equipment, and supplies (GSA and private-industry vendor resources)
- Planning and execution of the physical relocation (GSA move contractors)

- Full-service relocation management, including, but not limited to: planning, scheduling, and developing move sequence plans, conducting relocation project management meetings, supervising deliveries and installations
- Special consulting services, such as office art, audio-visual systems, acoustics, records management, copy and mail room services, lighting, specialty security, and signage (GSA expert vendors and suppliers)

Table 3-7. Fee Matrix for Initial Occupancies

Activity	Inc. in PBS Shell Rent	Agency Responsibility	Notes
Pre-award Services			
Prospectus generation	Yes		
Requirements development	Yes		
Space planning	Yes	If exceed baseline	Limited to initial submission plus two onboard revisions
Appraisals	Yes		
GSA legal staff support	Yes		
Occupancy Agreement	Yes		
Environmental studies	Yes		
Post-award Services			
Post-award project management services	Yes, up to TI allowance	For TI costs that exceed the TI allowance, an RWA management fee applies	
Services During Occupancy Term			
Property management	Yes	The recurring RWA fee (currently \$100) applies when PBS handles recurring premium services	
Fire and life safety	Yes		
Additional Services Not included in the PBS Shell Rent			
RWA management fee	No	For TI costs funded with an RWA, an RWA management fee applies	

Activity	Inc. in PBS Shell Rent	Agency Responsibility	Notes
Telecommunication network services and information technology	No	Yes	Make GSA resources available; actual costs for provision of these services are not included in the PBS shell rent
Furniture equipment and supplies	No	Yes	
Physical move	No	Yes	
Relocation management	No	Yes	
Special consulting services	No	Yes	

3.18. Pricing Standards – Joint Use

Joint use amenities are public good amenities, including, but not limited to:

- Government provided cafeterias
- Randolph-Sheppard vending facilities
- Childcare centers
- Fitness centers
- Occupational health centers
- Nursing mother's rooms
- Shared conference rooms
- Credit unions¹⁰
- Visitor parking spaces

Joint use charges are rents for those amenities, and apply whether or not employees of the customer agencies elect to use the amenities. PBS will seek feedback from tenants prior to adding a new joint use amenity. PBS makes the final decision on joint use spaces using a variety of criteria, but uses the customer feedback to help determine the value added by the amenity.

3.18.1. Joint Use Charges and User Base

The costs for the amenities are totaled and distributed among all federal users directly in proportion to each user's percentage of federal occupancy. The user base for joint use charges may extend beyond the building housing the joint use amenity. For federal assignments, there are three types of joint use space, identified below:

- **Building** – amenities housed in the building are available only to the customer agencies in the building.
- **Facility** – amenities are shared among two or more buildings within a campus or defined business site that are designated as a facility within the PBS inventory system.

¹⁰ To be assigned as joint use, credit union must meet criteria in 12 U.S.C. § 1770 and be allotted space without charge. Otherwise credit union pays rent as an outlease.

- **Community** – amenities, such as childcare centers or cafeterias, housed in one building are available to customer agencies in neighboring buildings. Those buildings must be designated as a community within the PBS inventory system. To be included in the community, the other buildings must be within a reasonable distance to the amenity. Before being included in the community, customer agencies outside of the building where the joint use amenity is located must be notified in writing of their inclusion in the community, and they must be given enough time to budget for the joint use charge. Time to budget does not apply to customer agencies that are currently being charged for the building joint use space. When community joint use is assigned, the OA will include a clause identifying the building where the amenity is housed.

Standalone joint use buildings must be designated as facilities or communities or assigned directly to a single customer agency. The joint use charges then follow the same methodology outlined above.

Regions must conduct periodic reviews of the joint use user base and make adjustments as necessary.

Joint use space charge is a single line item on the customer agency's Rent bill, although it consists of shell rent, amortized TIs, and operating costs. Joint use charges are subject to escalations. The joint use rate does not include security charges, as those appear separately on the PBS Rent bill.

3.18.2. Joint Use Components

A. Space

The joint use charge is comprised of the following components:

- Shell rate from the most recent FAR appraisal as reflected in ADS for the appropriate fiscal year. If no rate exists, consult the regional appraiser.
- Operating costs from the most recent FAR appraisal as reflected in ADS for the appropriate fiscal year. If no rate exists, consult the regional appraiser.
- An amount equal to the general TI allowance plus a Tier 3 customization allowance amortized over 10 years.

B. Space – Annual Rate Adjustments

The shell, operating cost, and TI amortization are reset each year at the beginning of the fiscal year using the following methodology:

- **Shell rate** – rate from the most recent FAR appraisal as reflected in ADS for the appropriate fiscal year.
- **Operating costs** – rate from the most recent FAR appraisal as reflected in ADS for the appropriate fiscal year.
- **TI** – the TI comprised of a general and Tier 3 customization allowance is recalculated to reflect the current year TI allowance and amortization rate.

The justification for this pricing methodology is that PBS has the responsibility for continuously updating the space and must recover these costs.

C. Parking

The joint use charge is the rate per space from the most recent FAR appraisal as reflected in ADS for the appropriate fiscal year. If no value exists, consult the regional appraiser.

D. Parking – Annual Rate Adjustments

The parking rate may be adjusted at the beginning of each fiscal year, if customary in the market, to the parking rate from the most recent FAR appraisal as reflected in ADS for the appropriate fiscal year.

3.18.3. Joint Use and the Tenant Improvement Allowance

Two separate cases exist regarding the use of the TI allowance for the buildout of joint use amenities.

A. Multiple Customer Agencies in a Building, Facility, or Community

PBS funds the buildout of the shared amenities. Since the amenities are funded in their entirety, regardless of TI allowance, there is no need to distinguish between an allowance and a customer agency lump-sum amount. The amenity space is assigned as joint use. PBS also funds the initial purchase, maintenance, repair, and replacement of equipment and personal property in cafeterias, childcare centers, and playgrounds; conference centers and rooms; and provides a shell ready for Randolph-Sheppard vending facilities. The Randolph-Sheppard vendor is responsible for funding the space improvements.

B. Single Customer Agency in a Building

In the case of a single customer agency, defined by one A/B code, occupying a building, the amenities are for the exclusive use of the sole customer agency and, typically, the customer agency plays a large role in determining the composition and size of the amenities. The amenity space is afforded the same per-square-foot TI allowance as the customer agency's other space. The charge is passed entirely onto the single occupying customer agency as assigned usable space, not as separately charged joint use—with one exception in non-delegated buildings, as described below.

When the amenities are cafeterias, childcare centers and playgrounds, and Randolph-Sheppard stands in single customer agency buildings, PBS's policy differs between delegated and non-delegated buildings as follows:

- Non-delegated buildings – PBS treats cafeterias, childcare centers, and Randolph-Sheppard vending facilities as joint use space for assignment and billing purposes. PBS funds the buildout of cafeterias and childcare centers and playgrounds, as well as the initial purchase and maintenance, repair, and replacement of equipment and personal property. PBS provides a shell ready for Randolph-Sheppard vending facilities and the vendor is responsible for funding the space improvements. PBS recovers these costs through billing the customer agency an amount equal to the general TI allowance plus a tier 3 customization allowance amortized over 10 years.
- Delegated buildings – PBS treats these amenities as extensions of the customer agency's space. The amenity space is afforded the same per-square-foot TI allowance as the customer agency's other space. The charge is passed entirely

onto the single occupying customer agency as assigned space, not as separately charged joint use. PBS funds the initial purchase of personal property and equipment for cafeterias, childcare centers, and playgrounds, and provides a shell ready for Randolph-Sheppard vending facilities in delegated owned buildings. The customer agency is responsible for maintenance and replacement of equipment and personal property unless otherwise stated in the delegation agreement. In the rare case of multi-tenant delegated buildings, the joint use amenities are assigned to the customer agency that holds the delegation.

3.18.4. Joint Use and Warehouse Space

If the space is entered into the OA Tool as the warehouse space type, it is not included in the customer agency's pro rata share of space for distribution purposes. No joint use charges are assessed for the warehouse space type in the OA Tool.

3.19. Pricing Standards – Rent Concessions

This component does not apply to federally owned space.

Chapter 4. Move Policy

Customer agencies in both federally owned and leased space are responsible for funding their own physical moves and telecommunication costs at the beginning and end of their occupancy terms. Within this overall policy, there are several specific conditions, described below.

4.1. Customer Agency Consolidations

When customer agencies make the decision to consolidate, they must fund all move costs.

4.2. Swing Space

When federally owned properties are subject to repair and alteration (R&A) projects, customer agencies may need to relocate to alternative leased or owned locations, called swing space. Every effort should be made to minimize the number, cost, and impact of such moves on customer agencies. When renovations are planned to occur at the end of an Occupancy Agreement (OA) term, PBS requires that customer agencies fund all move costs out to swing space and back to the renovated space. The customer agency is responsible for the swing space Rent, but not the Rent for the space undergoing renovation.

Customer agencies in leased or federally owned space do not have a perpetual right of occupancy. The OA confers a right to occupy space for a specific duration. For federally owned buildings subject to R&A projects, PBS can plan for eventual renovations and specify a term in the OA to coincide with these events. The OA should also state that these planned events do not constitute a forced move by PBS.



Note: If the customer agency's buildout needs are extensive or unusually expensive, it may be more feasible to move the customer agency only once and backfill the modernized building with a new customer agency. Customer agencies should be encouraged to limit expensive buildout in short-term swing space. The customer agency should determine the appropriate finish level for the temporary swing space, as it is responsible for the Rent on that space. (See [sections 3.6.6](#) and [3.6.7](#) for determining the tenant improvement (TI) allowance.)

4.3. Exceptions to Move Policy

There are two exceptions to PBS's general move policy:

1. **Forced move** – one customer agency is forcing another customer agency to move from its space before expiration of its OA term. In such cases, the forcing agency is responsible for costs as described in [section 4.4](#). PBS can be the forcing agency.
2. **Emergency relocations due to disasters or crisis** – in cases of emergency relocations, PBS may fund the moves upfront, subject to funds availability (see [section 9.3](#)).



Note: In some cases, PBS may choose to fund the physical move or provide another incentive (e.g., lower initial Rent upon the customer agency's return, funding of some TI costs in the swing space) to induce the customer agency to move to the swing space and back to its original space. This might occur if there is an opportunity to fill or prevent vacant space. PBS, like any private-sector lessor, should review options and make the optimum business decision. Funding customer agency move expenses or covering other modernization expenses is only warranted in exceptional circumstances.

4.4. Funding Responsibilities of a Forcing Agency

A forcing agency is responsible for funding the following costs:

- **To the displaced agency:**
 - The undepreciated value of any lump-sum payment (through Rent or reimbursable work authorization (RWA)) that the displaced agency made for initial TIs, alterations during customer agency occupancy in the affected space, and customer agency-specific security. Straight-line depreciation is to be used with the depreciation schedule equivalent to the original OA term, unless otherwise specified by the lease documents or the customer agency's OA.

Example

A displaced agency contributed \$200,000 in lump-sum payments for TIs at occupancy 4 years ago. The forcing agency now owes the displaced agency the remaining value of the TIs funded by the lump-sum contribution. The value of these TIs has depreciated 40 percent on a straight-line, 10-year depreciation schedule, assuming the customer agency has 6 years remaining on its OA with an original term of 10 years. The forcing agency owes the displaced agency the remaining value of \$120,000.

- The cost of its relocation, including the physical move, move coordination and relocation, and installation of telecommunications and information technology equipment.
- The cost of architectural-engineering design for the new location

The displaced agency may elect to have PBS collect the payment from the forcing agency and apply it to the cost of TIs in its new location. The displaced agency (rather than the forcing agency) is still responsible for refunding any rent concession taken at occupancy inception (such as broker commission credits) to PBS.

- **To PBS:**
 - The remaining principal balance on any TIs being amortized in the displaced agency's Rent that the forcing agency does not plan to use. PBS allows a forcing agency to amortize the remaining principal on the displaced agency's TIs only if the forcing agency will use these TIs itself. If the displaced agency's TIs are replaced, the forcing agency cannot finance something that no longer exists. If some TIs remain, the lump-sum amount may be prorated as appropriate. Payment is made as a one-time payment through the OA Tool as additional Rent, not by RWA.

- Any increase in the displaced agency's overall Rent at its new location, except for any difference in amortized TIs, until the displaced agency has time to budget through the Rent Estimate cycle. The changes may involve shell rent, operating expenses, joint use charges, the PBS fee, or BSAC. The forcing agency is not required to pay for the displaced agency's TIs at the new location. The differential in Rent charges is paid through the OA Tool.



Note: TIs are excluded from the Rent differential because control of buildout is with the displaced agency; further, these costs will be amortized so the displaced agency has time to budget through the Rent Estimate cycle for the periodic payments in the out years.

- The displaced agency's Rent from the time the displaced agency vacates the space to the time the forcing agency occupies the space.

4.5. Double Rent in the Event of Customer Agency-Caused Delays

All moves involve mutually agreed schedules for terminating old and beginning new space assignments. These schedules drive other activities, such as lease agreements and construction plans; all of these activities have cost consequences.

If a customer agency causes a delay from the agreed schedule in a move out from its current location or into its new location, then PBS may charge that customer agency Rent at both locations.

Customer agency-caused delays may occur when the customer agency:

- Changes the scope of the project.
- Fails to make timely decisions on the finish schedule.
- Fails to meet review schedules for the design intent drawings.

It is appropriate for PBS to assess double Rent charges for four principal reasons:

- The customer agency is the responsible party.
- Failure to assess double Rent removes the incentive for the customer agency to abide by the schedule.
- Neither the contract fee nor conventional real estate Rents paid to PBS are designed to recoup the costs associated with delays.
- In leased space, lessors routinely accelerate rent in the case of tenant delay; to avoid incurring significant losses, PBS passes through the costs of leased space.

The PBS OA standard clauses contain a provision addressing the double Rent consequence of tenant delay.

4.6. PBS- or Lessor-Caused Delays

PBS or the lessor may also be responsible for delays.

- **Lessor-caused delays** – when the landlord creates a delay, no Rent is payable for the period of delay. This happens whether PBS is the landlord (i.e., federally owned buildings) or the landlord is a private-sector lessor.
- **PBS-caused delays** – when PBS creates a delay, no Rent is payable for the period of delay. In addition, PBS may be responsible for costs for additional storage time for furniture, reprourement expense, or additional consulting fees. PBS reimburses a customer agency for PBS-caused increased costs by providing the customer agency the equivalent value in free Rent.

Note that delays caused by negotiations with the lessor or by funding inavailability are not considered lessor- or PBS-caused delays and are not subject to the above stipulations.

Chapter 5. Customer Agency Rights and Options

5.1. Cancellation Rights

5.1.1. Prior to Contract Execution

PBS provides the customer agency with a no-fault cancellation (with certain conditions and exceptions) up until PBS executes a lease, purchases a site, or awards a design contract.

PBS will make no claim against a customer agency for any PBS-borne cost related to the normal pursuit of occupancy if the customer agency withdraws from the project before PBS reaches the point of obligating the government to a contract.

5.1.2. After Contract Execution, Prior to Rent Start

For cancelable assignments only, if a customer agency decides to cancel its plans for occupancy after PBS obligates the government to a contract and before Rent start, then the customer agency is liable for the costs in Table 5-1:

Table 5-1. Project Cancellation Costs for Cancelable Assignments

Lease Space	Federally Owned Space
The 16-month Rental obligation had the customer agency occupied the space, plus the unamortized balance of the tenant improvements (TIs), or	The 4-month Rental obligation had the customer agency occupied the space, plus the unamortized balance of the tenant improvements (TIs), or the total project costs incurred, whichever is less
The lease buyout costs if less	



Note: If PBS executes customer agency-requested services outside of the services PBS provides as part of the PBS fee (see [section 2.16.3](#)) without upfront reimbursement, then PBS reserves the right to pursue reimbursement with the customer agency if it cancels the occupancy. PBS reserves this right whether the customer agency canceled before contract execution or before occupancy.

5.2. Non-Cancelable Space

Non-cancelable space is characterized by the low probability of PBS finding a backfill tenant due to specific qualities of the space, including:

- Remote or not easily accessible location
- Lease construction
- Special-purpose use or buildout necessitating significant capital outlays to retrofit the space to a more conventional use
- Unusual term

- Lack of any realistic federal need for the space, other than the requesting customer agency
- Any other factors that would significantly impair PBS's ability to backfill the space

PBS reviews each space assignment and uses the above criteria to designate space as cancelable or non-cancelable. PBS reduces the fee to 5 percent for leased assignments designated as non-cancelable.

Customer agencies may not volunteer to designate their space as non-cancelable to receive the reduced fee. The decision must be made at the beginning of a leasing action. Space assignments for a lease construction project will be designated non-cancelable unless the space qualities and market conditions support GSA assuming the vacancy risk and a pricing deviation is approved by the Regional Portfolio Director and Regional Commissioner.

The occupancy agreement (OA) must indicate that the space is non-cancelable in the first draft of the OA and at the beginning of the OA term. When significant changes occur in a project before the beginning of the OA term, PBS may revisit the cancelable or non-cancelable designation. For example, if the procurement of existing lease space was initially anticipated, but lease construction is required, PBS may change the designation and submit revised OAs for signature. Otherwise, once space has been designated (or not designated) as non-cancelable, it may not be changed during the OA term. For a subsequent OA term, PBS reviews current market conditions and space qualities before determining whether the space continues to be non-cancelable.

5.3. Return of Space

5.3.1. Four Month Space Release Right

With 4 months' prior written notice to space.release@gsa.gov, customer agencies have the right to release space to PBS when all of the following conditions are met:

- There is no longer a need for the space
- The space is in marketable blocks (see [section 5.3.2](#))
- The space is not designated as non-cancelable in the customer agency OA (see [sections 2.16.2.A](#) and [5.2](#) for definition of non-cancelable)
- If a lease occupancy, the customer agency is at least 16 months into its OA term

Customer agencies should submit their written notice to PBS immediately upon their intent to release space. PBS will continue to charge Rent for cancelable space during the first 16 months of an OA term for leased space. These Rent charges will be removed if PBS finds a backfill tenant, only to the extent to which the backfill customer agency's Rent (not including TIs) covers the total Rent obligation of the vacating agency.

Examples

Example 1: Customer provides written notice to release leased space 6 months into a 20 year cancelable OA. Customer pays Rent for the first 16 months.

Example 2: Customer provides written notice to release leased space 14 months into a 20 year cancelable OA. Customer pays Rent for the first 18 months.

Example 3: Customer provides written notice to release leased space 20 months into a 20 year cancelable OA. Customer pays Rent for the first 24 months.

The 4-month notice period is waived to the extent a backfill tenant immediately occupies the space upon being vacated. The 4-month notice period is not applied to parking spaces and antennas in cancelable assignments.

If a customer agency has a continuing space need, but is dissatisfied with its current location and wishes to relocate to a new location, it must notify PBS and afford PBS the opportunity to rectify the situation. If PBS cannot resolve the concern, PBS does not have the right to refuse the return of space. However, PBS may decline to provide the customer agency with a delegation of leasing authority. To obtain leasing delegation authority a customer agency must demonstrate to PBS that such delegation is in the government's best interest and does not conflict with any PBS activities in the market.

5.3.2. Defining a Marketable Block of Space

Defining a marketable block of space involves consideration of many factors and the unique aspects of each situation. PBS makes the determination. In lieu of a strict definition, the following guidance and examples are provided.

Table 5-2. Determining a Marketable Block of Space

Factor	Example/Definition
Location and usage	<p>A block of space is considered marketable if it can be assigned to another federal customer agency or to a private-sector tenant (outlease). The space must be accessible from the building's common corridors.</p> <p>However, PBS may not refuse a release just because there may not be a suitable tenant; the space might remain vacant.</p> <p>Conformance with the predominant real estate use pattern is another factor of marketability. For example, a single federal tenant that occupies an entire office building may not return the mailroom and loading dock space. Given their uses, these spaces are marketable only to tenants of the building, but there are no other federal tenants within the building.</p> <p>Conversely, in a multi-tenanted federal building, storage space returned by one customer agency would be marketable if it is accessible to the other customer agencies in the building, and PBS should accept the space on 4 months' prior written notice.</p>
Size of space	<p>To be marketable, in some cases a block of space must be a minimum size. In a building where the space is of a configuration and size to limit layout to office suites as opposed to individual offices, space is considered unmarketable if:</p> <ul style="list-style-type: none"> ■ A customer agency wants to return a single office bordering on the common corridor, which has no exterior accessibility ■ A customer agency wants to return a series of noncontiguous offices scattered throughout the building <p>However, offices consolidated into suites would be considered marketable, provided they have exterior accessibility.</p>

Factor	Example/Definition
	If the space is not marketable in its existing configuration but could be made marketable by constructing a wall to separate it from the relinquishing customer agency's remaining space or by constructing a separate entrance, then the space may be released if the customer agency funds the needed alterations. If a customer agency releases its entire block of space, it is considered marketable unless it cannot be safely occupied (e.g., firing range with lead contamination).

5.3.3. Return of Non-Cancelable Space

Customer agencies may vacate and return space designated as non-cancelable to PBS; however, they continue to pay Rent, including operating costs, the annual amortized cost for TIs, joint use charges, security, and the PBS fee (if the space is leased). These charges are removed only if PBS finds a backfill tenant, and then only to the extent to which the backfill customer agency's Rent (not including TIs) covers the total Rent obligation of the vacating agency.

During the vacancy period, it may be possible to reduce Rent for operating expenses. PBS will actively seek a backfill tenant for the vacant space to mitigate the customer agency's Rent losses.

5.3.4. Repayments Upon Return of Space

Before the end of the 4-month notice period, customer agencies returning space must pay PBS the principal balance remaining on any TIs. See [section 2.5.10](#), Table 2-6. Lump-Sum Payment Options for Tenant Improvements, and [section 3.6.10](#), Table 3-6. Lump-Sum Payment Options for Tenant Improvements for additional information on lump-sum payment options for TIs.

If the customer agency received free space or any other Rent concession (including broker commission credits) at occupancy inception, the value of the rent concession attributable to the remaining term must also be repaid by the customer agency; see the rent concession discussion in [section 2.18](#).

5.3.5. Partial Release of Space

If there is an outstanding TI balance after a partial release of space, the unamortized balance of the TI may be reamortized over the remaining space in the OA.

5.4. Delegations

PBS is authorized to grant several types of delegations to customer agencies, applicable to federally owned buildings or leased buildings:

- Federally Owned Buildings
 - Cyclical maintenance
 - Operations and maintenance
 - Repair and alteration

- Leased Buildings
 - Contracting Officer Representative (COR)

The terms and conditions of the Delegation Agreement control and the pricing policy is applied accordingly. COR delegated leases are charged the flat 7 percent PBS fee, unless they are designated as non-cancelable (see [section 5.2](#)).

5.5. Rent Appeals

Customer agencies have the prerogative to challenge assignment elements (e.g., service levels, space measurement) that have bearing upon Rent. Before initiating a formal Rent appeal, customer agencies should request that a PBS regional office review and explain the basis of a Rent charge for a specific space assignment. Such informal requests are not considered appeals.

Terms, including rates to which the parties agreed in an OA, may not be appealed. Therefore, formal Rent appeals must be made before an OA is signed, or if no signature was required, before the start of the OA term.

5.5.1. Formal Rent Appeal Procedures

- Initial appeal – a customer agency filing a written appeal for a particular location or building must develop documentation supporting the appeal and file the appeal with the appropriate PBS Regional Commissioner. The PBS regional office verifies all pertinent information and documentation submitted by the customer agency. The PBS Regional Commissioner accepts or denies the appeal and notifies the customer agency of the ruling.
- Continuing appeal – the customer agency’s headquarters level officials may file a further appeal with the PBS Commissioner if equitable resolution is not obtained from the initial appeal.
- Final appeal – a head of a customer agency may further appeal to the GSA Administrator. The documentation from the previous appeal attempts must accompany an appeal to the Administrator. Decisions made by the Administrator are final.

5.5.2. Rent Appeal Conditions

Rent appeals are governed by the following conditions:

A. Leased Space

- Underlying lease contract rent may not be appealed.
- Additional services outside the lease procured by PBS and passed through to the customer agency, such as utility charges or custodial services, also may not be appealed if substantiated by contract, accounting, or payment documents.

B. Federally Owned Space – Full-Service Shell Rate

- The fully serviced (shell plus operating) rate is established through a fair annual rent (FAR) appraisal, which approximates the market rate for comparable space at the time of the appraisal. The appraised FAR rate must exceed comparable

commercial rates by at least 20 percent (in the same unit of comparison) to be eligible for appeal.

- The customer agency is required to compare its assigned space with other spaces in the surrounding community that:
 - Reflect the size of the space used in the GSA ordered FAR appraisal
 - Are comparable in quality to the space provided by PBS
 - Provide similar service levels as part of the charges
 - Contain similar contractual terms, conditions, and escalation clauses
 - Represent a lease transaction completed at a similar point in time
- The customer agency must use market data that was available when the Rent rate was developed for Rent Estimate purposes. Data and supporting documentation from at least three comparable leases is required to obtain an indication of FAR value and to demonstrate that the market rental value differs from the assessed charge. The most effective method to determine an indication of rental value is with a separate appraisal of the FAR for the subject property. An appraisal is required to appeal PBS's Rent charge.
- When shell rent in federally owned space is established on the basis of return on investment (ROI) at the inception of an OA and the customer agency signs the OA, the ROI rate may not be appealed later.
- Components of Rent that are established based on actual costs, e.g., amortization of TIs and PBS-provided security charges, may not be appealed.

C. Federally Owned Space – Structured and Surface Parking Rate

- The structured and surface parking rates are established through a FAR appraisal. The FAR rate must exceed comparable commercial rates by at least 20 percent (in the same unit of comparison) to be eligible for appeal.
- The customer agency is required to compare its assigned parking spaces with other parking spaces in the surrounding community that:
 - Have characteristics and quality comparable to the parking provided by PBS
 - Provide similar service levels as part of the charges
 - Contain similar contractual terms, conditions, and escalation clauses
 - Represent lease transactions completed at a similar point in time, and
 - Represent similar parking arrangements available in the market
- The customer agency must use market data that was available when the parking rate was determined for Rent Estimate purposes. Data and supporting documentation from at least three comparable leases is required to obtain an indication of FAR value and to demonstrate that the market rental value differs from the assessed charge. The most effective method to determine an indication of rental value is with a separate appraisal of the FAR for the subject property. An appraisal is required to appeal PBS's parking rate charge.

Chapter 6. Return on Investment Pricing

Return on investment (ROI) pricing is a means of pricing that may be employed when the fair annual rent (FAR) appraisal-based rental rate does not meet PBS's return objective – also known as the hurdle rate – currently 6 percent. The hurdle rate is a measure set so that all PBS assets are recovering the minimum cost of ownership and reinvestment. The rate is periodically reviewed at the national level and may be adjusted. ROI pricing may also be applied through mutual agreement with a customer agency.

The remainder of this chapter details the application of ROI pricing to federally owned buildings and land ports of entry (LPOEs). Per a December 2016 MOA between GSA and the AOUSC, new courthouses will no longer be priced by ROI and existing ROI-priced courthouses will transition to the FAR appraisal-based pricing methodology for shell rent in FY 19.

6.1. Federally Owned Return on Investment Pricing

This section addresses ROI pricing for federally owned buildings. PBS's preferred method of determining Rent for its federally owned properties¹¹ is by FAR appraisal, which approximates local market rates. ROI pricing is a means of pricing that may be used when the FAR rate does not meet PBS's minimum return objective.

A building is a candidate for ROI pricing when the FAR rate does not meet PBS's return objectives – also known as the hurdle rate – currently 6 percent. To determine whether a building is meeting PBS's return objective, the region must conduct a hurdle rate test, detailed in [section 6.1.1](#).

ROI pricing may be applied in the following situations:

- New construction – PBS is expending capital to construct a building and the projected FAR rate does not meet PBS's return objective. The decision on whether ROI pricing is appropriate for a new construction project must be made before submission of the construction prospectus.
- Substantial rehabilitation – PBS is expending capital to modernize or substantially rehabilitate FAR-appraised buildings, and the projected FAR rate does not meet PBS's return objective. The decision on whether ROI pricing is appropriate for a substantial rehabilitation project must be made before submission of the construction prospectus.
- Existing buildings – in addition to failing the hurdle rate test, the following criteria must be met to convert a building from FAR-based pricing to ROI pricing:
 - PBS determines that it is in the government's best interest to retain the building due to extensive buildout or specialized construction that would be too expensive to replicate in leased space.
 - The total rental rate for any customer agency using ROI pricing is not appreciably more than the total rental rate that customer agency would pay were PBS to enter into a lease for similar space to house the tenant. The lowest acceptable lease alternative is quality-leased
 - space that meets the customer agency's needs, generally existing vacant space in the market or in some cases, lease construction.

¹¹ For purposes of the ROI discussion in this chapter, "federally owned properties" refers to buildings under GSA's jurisdiction, custody, or control not assigned to AOUSC or designated as LPOEs

- To satisfy the customer agency's space requirement, PBS will retain the asset and make capital investments as needed.
- The customer agency's agreement to pay ROI Rent is documented by a signed occupancy agreement (OA).

Once an asset is ROI priced, PBS may not change back to appraisal-based pricing during the OA term. ROI pricing provides the customer agency and PBS with a predictable rental rate over the occupancy term.

6.1.1. Hurdle Rate Test

The hurdle rate test compares the potential net income of a property to PBS's investment in the shell of the building. The hurdle rate test is contained in the ROI workbook, which is provided by PBS's Capital Investment and Leasing Program (CILP) on the PBS Office of Portfolio Management and Customer Engagement website.

If a building "fails" the hurdle rate test, i.e., if the return is below PBS's return objective (currently 6 percent), then it is eligible for ROI pricing. The ROI workbook contains another tool, the ROI calculation, which must be used to determine the ROI shell rate. The ROI calculation is designed to provide a shell rate that meets PBS's current hurdle rate.

All ROI workbooks for ROI pricing candidates, for conversions of appraisal-based pricing to ROI pricing, and for establishing billing of ROI-priced space must be completed and transmitted to the PBS Office of Portfolio Management and Customer Engagement, along with source documentation for review and concurrence before transmitting OAs with ROI rates to customer agencies for signature. See Table 6-1. ROI Workbook and OA Signature Requirements - Federally Owned for additional detail.

The following test must be used for all new and continuing ROI occupancies:

Hurdle Rate Test

- Multiply the first year's FAR shell rate (if it is a conversion, use the as-is rate) net of appraised operating expenses, by 95 percent of the building's total rentable square footage (RSF) (the current fully utilized occupancy rate assumed by the Federal Real Property Council).
- Divide the result by one of the following appropriate values:
 - **For new construction** – the hard and soft costs of construction.
 - Hard costs include:
 - bricks and mortar expense (labor, materials, and equipment)
 - contractor overhead and profit
 - acquisition cost/fair market value (FMV) of the land
 - escalations and other contingencies (e.g., design and construction contingencies applied in calculating the estimated construction cost (ECC))
 - Soft costs include:
 - architectural, engineering, and construction management (CM) services
 - legal services and public hearings

Hurdle Rate Test

- o feasibility, market, and environmental studies
 - o financing, relocation, and site remediation
- **For substantial rehabilitation** – the FMV of the property (i.e., land and building) plus the rehabilitation expense (see hard and soft cost definitions outlined above).
- **For properties converted to ROI and continuing occupancies** – the FMV of the property. Note: Exclude the building-specific amortized capital (BSAC) charges (e.g., progressive collapse, blast mitigation, and window glazing) and tenant improvements (TIs) from this calculation.
- If the quotient is less than PBS's hurdle rate (currently 6 percent), the FAR rate does not constitute an adequate ROI for the property and the property qualifies for ROI pricing. PBS may adjust the hurdle rate as necessary.

6.1.2. OA Terms and Signature Requirements

The OA term for federally owned ROI buildings is 10 years. The ROI shell rate is fixed for 5 years. After year 5, the shell rate is adjusted to include a return on capital improvements completed during the intervening period (see [section 6.1.6](#) for more detail). All provisions described in [Chapter 5, Customer Agency Rights and Options](#) (e.g., cancelable and non-cancelable assignments) still apply.

A. OA Iterations - New Construction and Substantial Rehabilitation

PBS must provide revised OAs to the customer agencies throughout the project so that the Rent impact is fully disclosed during all the phases of the project. OA submissions, along with signature and workbook review requirements for new construction and substantial rehabilitation projects, are outlined in the following table. OAs signed by the proposed customer agencies committing to pay ROI rates are required because the Office of Management and Budget (OMB) has advised PBS it will not advance projects without signed OAs.

Table 6-1. ROI Workbook and OA Signature Requirements - Federally Owned

New Construction/ Substantial Rehabilitation Phase	ROI Workbook Review by PT	OA Created Revised Workbook Created/Updated	OA Signature Required	Comments
Response to CILP design call	Required	Required	Required	Workbook must be reviewed and approved by PT before OA is sent to customer agency
Design funding and authorization	Optional	As needed; see comments	As needed; see comments	If there are cost changes during design, workbook must be updated and a revised OA must be signed

New Construction/ Substantial Rehabilitation Phase	ROI Workbook Review by PT	OA Created Revised Workbook Created/Updated	OA Signature Required	Comments
Response to CILP/construction funding and authorization	Required if there are changes	As needed; see comments	As needed; see comments	Last review of ROI method by OMB with CILP submission. If there are cost changes from earlier versions, workbook must be revised and approved by PT before OA is sent to customer agency for required signature
Rent Estimate (18 months prior to fiscal year when occupancy occurs)	Optional	As needed; see comments	As needed; see comments	Include pending space assignment and Rent in Inventory Changes Worksheet in Rent Estimate, update workbook and OA if needed
6 months before construction completion	Optional	Review and update as needed; see comments	As needed; see comments	If there are cost changes as the project continues, workbook must be updated and a revised OA must be signed
Construction completion/occupancy	Required	Required	Required	Note in OA that project reconciliation is not complete and some changes may be forthcoming
Construction cost reconciliation	Required if there is a financial increase	Required	Required if there is a financial increase	OA signature not required unless there is a financial increase from previous version

B. OA Iterations - Conversion from FAR-Based to ROI Pricing

When considering conversion of underperforming assets from FAR-based to ROI pricing, all workbooks and supporting documentation must be submitted for review and approval by the PBS Office of Portfolio Management and Customer Engagement before an OA is developed and transmitted to the customer agency for its required signature. Customer agencies must be given the opportunity to budget for any increases in Rent.

C. OA Iterations - Continuing Occupancies

Two years before the expiration of each OA term for ROI-priced buildings, the PBS region must perform a hurdle rate test using the current appraised FMV to determine if ROI is still the appropriate pricing method. The OA optional clause will clearly state when retesting will occur. The outcome of the retest will determine whether the building will continue to be priced using ROI rates or will revert to FAR pricing.

If the building passes the hurdle rate test, the region must prepare new OAs for the customer agencies using the most recent FAR appraisal. If the building fails the hurdle rate test, the region must prepare new OAs for the customer agencies using the ROI

methodology. The OA term for continuing occupancies is 10 years. All customer agencies in the building are to receive rates based on the new workbook calculations when their initial OA terms expire, unless there are exceptions in accordance with [section 6.2.5](#).

When planning for the continuation of ROI pricing in a building, all workbooks and supporting documentation must be submitted to the PBS Office of Portfolio Management and Customer Engagement for review and approval in accordance with the Rent Estimate cycle. Approval must be obtained before an OA is developed and transmitted to the customer agency for signature.

6.1.3. Calculating the ROI Shell Rate

Once PBS determines that a building is eligible for ROI pricing, the following steps must be taken to establish the ROI shell rate.

The most recent OMB discount rate is to be used in early calculations of the ROI shell rate and corresponding iterations of the OA. However, the OMB discount rate used to establish the initial 5-year shell rate in the customer agency's Rent bill must be set in an OA in sufficient time to allow the customer agency to budget for its Rent through the Rent Estimate process, typically 18 to 24 months.

A. New Construction

The ROI shell rate for new construction is comprised of a return on the building's shell investment base and the value of the land. The value of the land, as determined by all components of its acquisition cost (if available), must be used as part of the shell investment base. If PBS acquired the land through donation or exchange and there is no acquisition cost, or if the acquisition cost of the land is not otherwise available, then an FMV appraisal is required to establish the land value entered into the ROI workbook.

The following information is required to complete the ROI workbook at certain stages of a project and prepare the OA for customer agency signature:

- **CILP design call** – for projects in the planning stage that do not have a specific market location, but are included in the CILP submission for design funding, the projected FAR rate used to perform the hurdle rate test may be based on the most recent FAR appraisal or on a market survey of recent comparable lease transactions in that market. The appraisal or market survey must be approved by the regional appraiser.
- **Design funding and authorization** – for projects that have been approved for design funding with an identified design package and location, a current FAR appraisal effective as of the completion of construction of the building must be used to determine the income for the hurdle rate test. The appraisal must be approved by the regional appraiser.
- **Construction funding and authorization** – for new construction, the ROI workbook must be updated to reflect any construction cost changes.



Workbook Calculations for New Construction Projects

The ROI workbook performs the following ROI shell rate calculations:

1. Multiplies the shell investment base (capital shell investment plus land FMV or acquisition cost, whichever is applicable) by the 10-year OMB discount rate plus 1 percent (but not less than PBS's hurdle rate), using a 95 percent occupancy factor to provide an indication of total potential return. The shell investment base includes the hard and soft construction costs as defined in [section 6.1.1](#). The shell investment base does not include BSAC security and the amortized TI expenses, which are calculated and billed separately.
 2. Deducts the annual parking revenue from the result of step #1. Parking revenue is calculated in accordance with [section 6.1.4.E](#).
 3. Divides the result of step #2 by the fully utilized occupancy rate assumed by the Federal Real Property Council, currently 95 percent.
 4. Divides the result of step #3 by the building's total RSF, resulting in the shell rent rate per square foot.
-

B. Substantial Rehabilitation

The ROI shell rate for substantial rehabilitation is comprised of a return on the building's pre-project value, determined by an FMV appraisal, and the additional capital investment cost identified for the project. A current pre-project FMV is required and must be included in the shell investment base that is used as part of the ROI shell rate calculation. The FMV appraisal must be prepared using the current scope of work and timing required for the GSA Narrative Market Value Appraisal Report issued nationally as part of the CILP. The appraisal must be reviewed and approved by the regional appraiser and the PBS Office of Portfolio Management and Customer Engagement before using it as part of the ROI hurdle rate test or as the basis for ROI calculations.

The FAR appraisal used in the hurdle rate test must reflect the post-project Rent.



Workbook Calculations for Substantial Rehabilitation Projects

The ROI workbook performs the following ROI shell rate calculations:

1. Adds the capital investment cost to the pre-project value of the property and multiplies the results by the 10-year OMB discount rate plus 1 percent (but not less than PBS's hurdle rate) to provide an indication of total potential return. The shell investment base does not include BSAC security and the amortized TI expenses, which are calculated and billed separately.
2. Deducts the annual parking revenue from the result of step #1. Parking revenue is calculated in accordance with [section 6.1.4.E](#).
3. Divides the result of step #2 by the fully utilized occupancy rate assumed by the Federal Real Property Council, currently 95 percent.
4. Divides the result of step #3 by the building's total RSF, resulting in the shell rent rate per square foot.

C. Conversions from FAR-Based to ROI Pricing

The ROI shell rate for ROI conversions is based on a return on the building's value, determined by a current FMV appraisal of the property (building and land). The FMV appraisal must be prepared using the current scope of work and timing required for the GSA Narrative Market Value Appraisal Report issued nationally as part of the CILP. The appraisal must be reviewed and approved by the regional appraiser and the PBS Office of Portfolio Management and Customer Engagement before using it as part of the ROI hurdle rate test or as the basis for ROI calculations.



Workbook Calculations for Conversions from FAR-Based to ROI Pricing

The ROI workbook performs the following ROI shell rate calculations:

- Multiplies the value of the property plus any capitalized shell improvements (capitalized vs. expensed items that are identified by Inventory Reporting Information System (IRIS) work category) with funds obligated or currently under construction that are not reflected in the FMV, by the 10-year OMB discount rate plus 1 percent (but not less than PBS's hurdle rate) using a 95 percent occupancy factor to provide an indication of total potential return.
- Deducts the annual parking revenue from the result of step #1. Parking revenue is calculated in accordance with [section 6.1.4.E](#).
- Divides the result of step #2 by the fully utilized occupancy rate assumed by the Federal Real Property Council, currently 95 percent.
- Divides the result of step #3 by the building's total RSF, resulting in the shell rent rate per square foot.

D. Continuing Occupancies

The ROI shell rate for continuing occupancies is based on a return on the building's value, determined by a current FMV appraisal, considering all improvements to be installed in the building by the proposed date of occupancy. The FMV appraisal must be prepared using the current scope of work for the GSA Narrative Market Value Appraisal Report issued nationally as part of the CILP. The appraisal must be reviewed and approved by the regional appraiser and the PBS Office of Portfolio Management and Customer Engagement before using it as part of the ROI hurdle rate test or as the basis for ROI calculations. The effective date of the FMV appraisal must match the effective date of the FAR appraisal.

TIs for continuing occupancies are amortized over the OA term. The operating rate for continuing occupancies is calculated using the ROI workbook. Refer to [section 6.1.4.A](#) for additional information on TIs and [section 6.1.4.B](#) for additional information on operating rates.



Workbook Calculations for Continuing Occupancies

The ROI workbook performs the following ROI shell rate calculations:

1. Multiplies the value of the property by the 10-year OMB discount rate plus 1 percent (but not less than PBS's hurdle rate) to provide an indication of total potential return. The FMV appraisal must reflect all capital improvements completed up to the date of the new OA for the continuing occupancy.
2. Deducts the annual parking revenue from the result of step #1. Parking revenue is calculated in accordance with [section 6.1.4.E](#).
3. Divides the result of step #2 by the fully utilized occupancy rate assumed by the Federal Real Property Council, currently 95 percent.
4. Divides the result of step #3 by the building's total RSF, resulting in the shell rent rate per square foot.

6.1.4. Calculating Other ROI Rates

A. Tenant Improvement Allowance Amortization Rate

TIs up to the allowance limits (whether set using the general and customization tier allowances, an estimate of functional space, or benchmarks) for new construction or substantial rehabilitation projects must be amortized based on the actual cost. The amortization period matches the 10-year OA term.

Existing TIs in properties converted from FAR-based pricing to ROI pricing are to maintain the existing amortization schedule. TIs in continuing occupancies are to be amortized over the OA term. However, in no case may the amortization term extend beyond the useful life of the TIs as determined by PBS. The rates are calculated using the 10-year Treasury bond rate plus 12.5 basis points, as established by PBS.

B. Operating Rate

The operating rate is calculated in the ROI workbook. It is the sum of the building's estimated:

- annual operating expenses,
- field office general and administrative (G&A) expenses, and
- national and regional G&A expenses.

As with other federal buildings, standard utilities are based on a one-shift office operation, Monday through Friday, excluding federal holidays. PBS provides a consistent heating or cooling temperature for 10 operating hours. For buildings with 24 hours per day operation, PBS provides one 10-hour shift, Monday through Friday, excluding federal holidays. Service beyond the 10 hours is reimbursable. See [sections 3.7.1](#) and [3.7.4](#) for more details.

The national and regional G&A component of the operating rate may not exceed 10 percent of the sum of the ROI shell rate and the estimated annual operating expense per RSF.

The base year projected operating rate is determined by adding the estimated applicable G&A expenses to:

- the cost of similar type services for existing operating expenses, service contracts, or appraised operating rates at comparable locations for a full fiscal year (see example below) for new locations,

OR

- the most recent full fiscal year of operating expenses for that property, for existing locations.

If, at the time the operating rate is calculated a full fiscal year of operating expense history is not available, then a recent 12-month period (e.g., September of the previous year through August of the current year) may be used to make the calculations.

The Operating Rate Reset Workbook is used to adjust rates annually after the base year. The methodology uses the prior full fiscal year expenses available in accordance with the PBS Rent Estimate Cycle.

C. Building-Specific Amortized Capital Rate

BSAC security costs are excluded from the shell rate calculation; the BSAC is calculated and billed in accordance with [section 3.10.2.B](#).

D. Joint Use Rate

Joint use rent is apportioned among customer agencies based on space assigned, as outlined in [section 3.18](#). The formula to calculate the joint use rate is the combined ROI shell and operating rates, plus either the actual cost of the joint use TIs or the general allowance plus a customization Tier 3 allowance, if actual cost information is not available.

If the actual cost of joint use TI is used, the spreadsheet amortization schedule must be retained by the region. Joint use TIs are amortized over 10 years. In no case may the amortization term extend beyond the useful life of the TIs. The TI amortization rate is

the 10-year Treasury bond rate plus 12.5 basis points; see [section 3.6.8](#) for more information on how PBS determines the amortization rate.

E. Parking Rate

The surface and structured parking spaces assigned to each customer agency are charged separately and appear as separate line items on the customer agency's Rent bill. The additional costs to make a parking area secure are considered BSAC charges and are amortized into the customer agency's Rent bill, as outlined in [section 3.10.2.B](#).



Workbook Calculations for Parking

The ROI workbook adjusts the ROI shell rate downward to account for the annual parking revenue, so that the total return for the property does not exceed the 10-year OMB discount rate plus 1 percent (but not less than PBS's hurdle rate).

The number of parking spaces may change during the occupancy term. The parking rates for both surface and structured parking are set using a FAR appraisal and are reset along with the shell rate every 5 years. The regional appraiser may use the Marshall Valuation Service cost guide to develop an ROI parking rate if there are no market comparables upon which to base an appraisal. Changes in parking require a revised OA.

F. Antenna and Other Rates

Customer agencies that occupy space in ROI properties are not charged for antenna sites or other ancillary spaces (e.g., ware yards, boat docks). However, customer agencies that do not occupy space in the building are charged prevailing antenna charges or charges for usage of other ancillary spaces in accordance with [sections 3.12 and 3.16](#).

There is no Rent charge for additional antennas added by building customer agencies during occupancy if the customer agency's Rent is set based on ROI pricing. Customer agencies are responsible for all costs associated with the installation, maintenance, and removal of each antenna and restoration of the building to pre-installation condition.

6.1.5. ROI Rent Alternative for Customer Agencies

ROI pricing applies to all customer agencies in a federally owned ROI building. However, PBS may allow an appraisal-based Rent in an ROI-priced building if the total Rent (including TI) for the customer agency using ROI pricing is 20 percent or greater than the total Rent the customer agency would pay in a lease for space of comparable quality.

Rent for those customer agencies may be set by FAR appraisal or negotiated with the customer agency and approved by the Regional Portfolio Director using the backfill procedures outlined in [section 6.1.7.C](#).

Any other deviations from the ROI pricing require an approval from the PBS Office of Portfolio Management and Customer Engagement and must be documented by the regional appraiser in the building appraisal file.

6.1.6. Adjusting Shell Rent for Additional Capital Improvements

Post-occupancy capital shell investments (over \$50,000) and contract claim awards must be included in the ROI calculations. The additional charges for these items may begin after the customer agency has been given adequate time to budget for the increased Rent. The regions must track all capitalized shell improvements over \$50,000. In addition, PBS must send the customer agency an OA describing the charges; the OA does not have to be signed by the customer agency.

The Rent is adjusted over the term of the OA to reflect these costs using the ROI workbook as follows:

- **Initial adjustment** – for Rent Estimate purposes, it is necessary to calculate the adjustment after the initial 3 years to allow time for budgeting for a shell rent adjustment in the 6th year of the OA term.
- **Successive 5-year intervals** – capital improvements made during the final years (years 4 through 10) of the OA term are not added to the new 10-year FMV appraisal to derive the ROI rental rate. This is because the FMV appraisal for the continuing occupancy OA must consider all capital improvements made in years 4 through 10 of the initial OA term, especially when the work improves the effective age of the property and extends its useful life.

The following table outlines how the shell rent is adjusted to include capital improvements during the ROI term.

Table 6-2. Capital Improvements During ROI Term

Capital Improvement Calculation Period	Rent Adjustment Starts
Years 1-3	Year 6
Years 4-10	Year 1 of the continuing occupancy OA term (Capital improvements made during the last 6 years of the OA term must be considered in the 10-year FMV appraisal that sets the new rate.)



Additional Capital Improvement Workbook Calculations

The ROI workbook uses the following formula to compute the adjusted ROI shell rate:

- Multiplies the current 10-year OMB discount rate plus 1 percent (but not less than PBS's hurdle rate) by:
 - the initial hard and soft costs of construction (minus BSAC and TIs) for newly constructed properties, or
 - the pre-project value of the property plus the initial hard and soft costs of construction for substantial rehabilitation projects, or
 - the initial value of the property that was used in the conversion.
- Multiplies capitalized shell improvements (capitalized vs. expensed items are identified by IRIS work category) that were made to the property for the first 3 years of the OA term by the 10-year OMB discount rate plus 1 percent (but not less than PBS's hurdle rate).
- Adds the results of steps #1 and #2 and divides the result by the fully utilized occupancy rate assumed by the Federal Real Property Council, currently 95 percent.
- Deducts the annual parking revenue from the result of step #3. Parking revenue is calculated in accordance with [section 6.1.4.E](#).
- Divides the result of step #4 by the building's total RSF, resulting in the shell rent rate per square foot.

6.1.7. Vacancy, Outlease, and Backfill Occupancy

A. Vacancy

Customer agencies are not billed for actual vacancy in ROI-priced federal buildings. The ROI workbook for non-Courts federal buildings calculates the ROI shell rate based on the fully utilized occupancy rate assumed by the Federal Real Property Council, currently 95 percent.

B. Outleasing to Non-federal Tenants

If the ROI rate is not greater than 20 percent above market, then the ROI rate may be charged to non-federal tenants. Otherwise, the rental rate must be based on a FAR appraisal and not on the ROI shell rate.

C. Backfill

Backfill occupancies by customer agencies with a maximum term of 5 years may be charged a reduced rental rate in accordance with [section 3.2.3](#). The termination date for the backfill customer agency's OA must not extend beyond the OA termination date for all of the other customer agencies in the building, so that all of the building Rents adjust uniformly. There may be exceptions to this requirement, however, due to customer agency program needs. The Rent for the other customer agencies will not be adjusted for the difference.

6.2. Land Port of Entry – Return on Investment Pricing

Federally owned land ports of entry (LPOEs) under the jurisdiction, custody, and control of GSA have the mission-specific function (through the occupying customer agencies) of regulating physical access as well as imports and exports of goods at U.S. borders. ROI pricing is applied to LPOEs due to their unique characteristics and their frequently remote locations, limiting available market data required for FAR appraisals.

Note: Provisions in all other chapters are applicable to LPOEs unless superseded in this chapter.

6.2.1. Space Assignments

The LPOE Space Assignment Policy addendum to the National Business Space Assignment Policy addresses measurement and assignment of various areas and building spaces found in LPOE facilities for the purpose of charging Rent. Many of these areas or spaces are unique and may include such improvements as canopies, pedestrian bridges, tunnels, vehicular bridges, inspection areas, and holding areas for humans, animals, agricultural products, or cargo.

6.2.2. Unique Building Shell and Tenant Improvement Definitions

All building shell and TI definitions found in Chapter 3 are applicable to LPOEs. There are improvements unique to LPOEs, some of which are further defined for shell and TI purposes, listed below.

A. Shell

1. Canopies, including ceilings, lighting, ventilation, and other systems, that are used for inspections, searches, or imaging and related functions, both incoming and outgoing
2. All booths, including any ventilation, electrical, or other systems that are contained or included within the booth
3. Unique site improvements such as tunnels, bridges, roadways, and lanes that are part of the infrastructure that services the entire LPOE facility

B. Tenant Improvements

1. Any customer agency-specific improvements not permanently affixed to the land as realty underneath any canopies (with the exception of those noted above as shell)
2. Any customer agency-specific improvements affixed within a designated area on the inside or outside of a building (e.g., tire mounting units, emergency showers, eyewash stations)
3. Any customer agency upgrades or enhancements to the building shell (e.g., vehicle lift installed in a garage or warehouse type building)
4. The components of any booth required to be bullet resistant, (e.g., walls, windows, doors)
5. Fencing that is part of the function or use of a customer agency's building, space, or area (e.g., kennels, impound lots, livestock enclosures)
6. Free standing concrete pads (open to the environment, not in a building or under a canopy) that support customer agency equipment

6.2.3. Occupancy Agreement Requirements for Terms, Signatures, and Revisions

The Department of Homeland Security (DHS) agencies' initial or new OA term for all ROI priced LPOEs is 20 years; the initial or new OA term for any other customer agency in the LPOE is 10 years. For all LPOE customer agency occupants, OAs for new construction and substantial rehabilitations must be designated as non-cancelable, in the first draft of the OA and at the beginning of the OA term.

Any continuing OA term (for any tenant) is 10 years and will be designated as a cancelable OA. However agencies may only release space once per year at the October fiscal year change. Requests to release space require a 2 month release notice. If alterations or other anticipated PBS-initiated projects are planned within the facility, PBS must limit the OA term for the affected space assignment(s) so as not to impede the construction start of the project. If the space assignment is within a building that is to be disposed, then PBS must set the expiration date of the continuing OA term in advance of such disposal (be it title conveyance, building removal, or demolition of such property or improvement).

A. OA Iterations – Rate Resets within the OA Term

Shell and operating rates are reset each fiscal year and do not require customer agency signature. The rate resets are coordinated with the Rent Estimate process so that customer agencies have adequate time to budget.

B. OA Iterations – New Construction

As with all space assignments, PBS requires customer agency agreement via signature on the OA before incurring significant costs for a project (e.g., purchasing a site or awarding a design and construction contract). PBS must provide updated OAs to customer agencies throughout the project so that the Rent impact is fully disclosed. OAs bearing tenant signatures that are being submitted as well as the workbook review requirements are outlined in Table 6-1. ROI Workbook and OA Signature Requirements - Federally Owned. OAs signed by the proposed customer agencies committing to pay the adjusted ROI rates are also required because OMB will not advance projects without a tenant signed OA.

C. OA Iterations – Substantial Rehabilitation

For projects in which PBS is expending capital to modernize or substantially rehabilitate existing improvements or buildings within the LPOE, PBS must provide customer agencies with revised OAs throughout the project so the Rent impact is fully disclosed (see Table 6-1. ROI Workbook and OA Signature Requirements - Federally Owned). Substantial rehabilitation is the additional investment cost identified for the project that is added to the ROI Workbook for purposes of ensuing shell rate calculations.

D. OA Iterations – Remeasurements/Square Footage Changes

1. Remeasurements in federally owned LPOEs are typically conducted only once every 5 years, pending availability of PBS funds. Remeasurement captures any substantial variations that have developed between the assignment drawings and the inventory system through the 5 year formal follow on validation.
2. OA square footage and rent rate adjustments (done anytime during the interim 5 year period for formal remeasurements) are recorded at the beginning of a fiscal

year for full OA billing and do not blend rates or provide any time to budget, regardless of whether the square footage changes are increases or decreases. OA square foot changes occur for various reasons (e.g., expansion of an existing building or disposal of a building). The new version of the OA must be sent to the customer agency as an administrative OA for notification purposes only; customer agency signature is not required.

3. All other changes to square footage will also be held until the October fiscal year change unless they are for agency-funded shell or for a prospectus project.

E. Continuing Occupancies

Continuing occupancy OAs do not require a customer agency signature provided there are no new TIs amortized in the Rent.

6.2.4. Calculating the ROI Rates

The shell and operating rent rates for LPOE facilities are calculated in the ROI workbook as a composite (facility) rental rate and applied to all of the OA space assignments within the facility, regardless of space type (e.g., rates are the same for office, warehouse, and canopied inspection areas). PBS applies a facility rental rate because no single building in the facility can function autonomously; all of the buildings and other improvements share the infrastructure, utilities, service contracts, and operating costs. Through the LPOE ROI workbooks, the Rent rates are reset annually at the beginning of the fiscal year. The workbooks are done at least 18 to 24 months ahead of the effective period for the Rent rates to allow the customer agencies sufficient time to budget. Thus the ROI workbooks are titled Rent Estimate workbooks.

A. Shell Rent Rate

- **New Construction.** The ROI shell rate for new construction funded by PBS is comprised of a return on the facility's shell investment cost, inclusive of land cost or equity. The contributory value of the land is either its total acquisition cost or its market value, whichever is greater.
 - Capital Investment and Leasing Program (CILP) design call – for projects in the planning stage, including in the CILP submission for design funding, the projected ROI Rent rate(s) to be used must be derived from either the region's construction bid estimates, if available, or the Project Cost Planning Guide (PCPG) provided by the PBS Office of Design and Construction. Workbooks calculating such Rent rates must be reviewed and approved by the PBS Office of Portfolio Management and Customer Engagement before the OA is sent to the customer agency for required signature.
 - Design funding and authorization – if there are cost increases during design, those charges must be revised in the region's construction bid estimates or through the PCPG. The workbook must be updated and revised OAs must be sent to the customer agency for required signature.
 - Construction funding and authorization – for new construction, the ROI workbook must be updated to reflect any construction cost increases from earlier versions. A revised workbook must be approved by the PBS Office of Portfolio Management and Customer Engagement before the OA is sent to the customer agency for required signature.

- Prior to construction completion (6 months) – if there are cost increases as the project continues, the ROI workbook must be updated and the customer agency must sign revised OAs. The revised workbook must be approved by the PBS Office of Portfolio Management and Customer Engagement before the OA is sent to the customer agency for required signature.
- **Additional Capital Improvements.** Any and all post occupancy capital shell improvements or investments over \$50,000 must be included in the applicable Rent Estimate ROI workbook for the LPOE facility. The additional Rent charges for these items may begin after the customer agencies have been given adequate time to budget for the increased Rent through the Rent Estimate process, typically 18 to 24 months. The regions must track all additional capitalized improvements (e.g., roof replacement) which must include any facility infrastructure and all structures, including any canopies that cover, house, or shield customer agency space or equipment or inspection functions. PBS must send the customer agency an updated OA (for notification purposes) at the time of PBS Office of Portfolio Management and Customer Engagement's approval of the RentEst ROI workbook that contains such additional capital improvements. The OA does not have to be signed by the customer agency.
- **Existing LPOE Facilities.** The ROI shell rate for existing LPOE facilities is comprised of an investment return calculation for the facility's shell investment base, the functional replacement value, and the land value or cost (whichever is greater). If PBS funds new construction, those costs must be added to the existing LPOE facility ROI workbook to calculate the new shell rent rate.

B. Operating Rent Rate

Standard operating rents and rent rates are based on daily operation (up to and including 24 hours daily, 7 days per week). The operating rent is calculated as the sum of the entire facility's projected operating expenses (including contracts for recurring services such as cleaning, maintenance, and utilities, and nonrecurring expenses such as snow removal, repairs and alterations, grounds, and other operating costs) for the rate period.

The operating rent rate may include costs for operating services provided by the LPOE to any inspection or supporting LPOE improvement located on land outside of or adjacent to the LPOE property, or for any auxiliary residences inside or outside of the LPOE property boundary.

In addition, the standard operating rate will include general and administrative (G&A) expenses (made up of national, regional, and field office G&A expenses). The national and regional G&A component of the standard operating rate may not exceed 10 percent of the sum of the ROI shell rate and the projected annual operating expense per RSF.

The total standard operating costs are projected (including the national and regional G&A component of the operating rate) as follows:

- For an existing facility, based on the most recent full fiscal actual expenses.
- For a new facility (or new construction or additional capital improvements in an existing facility), based on the projected expenses and analysis of utilities, service contracts, and other historical costs of a comparable facility.

Operating costs are escalated annually using an estimated inflation rate to set the future year's Rent Estimate operating rent rate (e.g., FY 14 costs are escalated and reflected in the FY 17 Rent Estimate operating costs).

LPOE ROI workbooks, completed in accordance with the instructions of PBS Central Office Asset Management and Valuations, must be reviewed and accepted by the regional appraiser, Regional Portfolio Director, and the PBS Office of Portfolio Management and Customer Engagement.

6.2.5. Calculating Other LPOE ROI Rates

A. Tenant Improvement (TI) Allowance

TIs up to the allowance limits (whether set using an estimate of functional space or the PCPG benchmark) for new construction or substantial rehabilitation projects must be amortized based on the actual cost. Any costs exceeding the TI allowance limit are to be paid by the customer agency with a lump sum RWA. After construction completion, PBS reconciles the TI allowance and excess TIs (paid by RWA) based on the actual costs.

The standard TI allowance amortization period is 10 years. In no case may the TI allowance amortization exceed the OA term or the useful life of the TIs as determined by PBS. The rates are calculated using the 10-year Treasury bond rate plus 12.5 basis points, established by PBS and recorded in the OA.

B. Building-Specific Amortized Capital Rate

BSAC security costs are excluded from the shell rate calculation and TI rent rate. BSAC is defined in [section 3.10.2.B](#). In addition to the BSAC definition in [section 3.10.2.B](#), BSAC in LPOEs may include: the bollards and bulkheads protecting the booths from vehicle collision, perimeter fencing and gates enclosing the LPOE facility, and fencing and gates securing any building control systems or centers. All BSAC is combined into one total facility rate to be charged against all square footage assignments on each customer agency's OA (the composite rate for each OA in the facility).

C. Parking Rates

All structured and surface parking within the LPOE facility is included in the shell rate. Parking is not separately charged, although parking spaces may be assigned.

D. Antenna Charges

Customer agencies that occupy space or areas in the LPOE facility are not charged for antennas they affix to a building, or antennas, towers, or other communications equipment on grade (a land area within the facility other than a building). Any concrete or other structural pad installed by the agency to facilitate the agency's use and operation of such antenna, tower, or other communications equipment is also not subject to charges. Customer agencies are responsible for all costs associated with the installation, maintenance, and removal of such antenna, tower, or other communications equipment, including the maintenance or demolition and removal of the concrete pad or other structural pad and restoration of the building or area to pre-installation condition. LPOE facility operating Rents do include the charges for any utilities or other services incurred for any antenna tower or other communications equipment.

Customer agencies that do not occupy space in an LPOE, but locate their antennas within such LPOE, will be charged the prevailing antenna charges accordingly (see [sections 3.12](#) and [3.15](#)).

6.2.6. Outlease and Backfill Occupancy

A. Outleasing to Non-federal Tenants

ROI rates may be charged to non-federal tenants, including annually adjusted actual operating rates. More typically the PBS Office of Portfolio Management and Customer Engagement Outlease Program Office establishes a fixed rate that is a composite of shell and operating rates based on a market rates analysis. Joint use rates are not charged on outleases, as non-federal tenants are not permitted use of joint use space or amenities.

B. Backfill

The OA term for backfill occupancies by federal agencies (including DHS) must not extend beyond the latest termination date of any existing DHS OA within the LPOE facility. Backfill occupancy by any federal agency is subject to the agency's payment of the shell and operating ROI rates in effect on the OA effective date. Backfill pricing flexibility is not applicable for LPOEs.

Chapter 7. United States Postal Service Pricing

PBS and the United States Postal Service (USPS) can be either tenant or landlord to each other. A Letter of Understanding (LOU) signed in February 2005 governs this relationship. PBS pricing policy is to recognize the following:

- When USPS is a tenant in PBS-controlled space, all pricing policies apply.
- When USPS is the property owner:
 - PBS treats USPS space the same as leased space for pricing purposes and passes through rent charges to the customer agency. A Tenancy Agreement (TA), created by USPS and signed by PBS, takes the place of a regular lease document. The TA has a 5-year fixed term. However, if the tenant improvements (TIs) are amortized for longer than 5 years, and if USPS is amenable, the TA can be extended to meet the amortization term.
 - USPS honors the TI allowance requirement of PBS customer agencies, depending on the availability of USPS funds. The customer agency has a 4-month cancellation right, with liability for only the unamortized balance of the TIs.
 - PBS provides OAs to the customer agencies with the rates as outlined in the TA. The PBS fee is reduced to 4 percent for cancelable or non-cancelable assignments, since there is no contract risk—see [section 2.16.2.B](#).
 - USPS is the service provider for security, so USPS security charges apply as part of the TA negotiations and are passed on to the customer agency through the OA. If building security services are needed in addition to the security provided by USPS, the customer agency negotiates separately with the Federal Protective Service to acquire the services.



Note: PBS and USPS are currently negotiating a new MOA. This section will be updated at that time.

Chapter 8. Congressional District Offices

8.1. U.S. Senate Pricing

Presently a Memorandum of Agreement¹² dated October 1996 between PBS and the U.S. Senate governs the space assignment of U.S. Senate offices. Pricing for U.S. Senate offices differs from standard PBS pricing policy in the following ways:

- Although the Occupancy Agreement (OA) is used for documentation and billing purposes, signature is not required. The OA term is 6 years, not to exceed the Members' term.
- U.S. Senators have the right to release space upon 30 days' prior notice to space.release@gsa.gov.
- U.S. Senate assignments are not charged for tenant improvements (TIs) in an initial or backfill occupancy.¹³
- U.S. Senate assignments are not charged for antennas.
- The PBS fee is not applied to U.S. Senate offices in leased space.
- U.S. Senators are entitled to cyclic paint and carpeting without additional charge.

Further, by law, each Senator may not exceed a certain square footage, expressed in USF. Since PBS has adopted a modified version of the American National Standards Institute/Building Owners and Managers Association (ANSI/BOMA) method of measurement, which gives assignments in rentable and usable terms, each U.S. Senate OA must contain the following statement:

“For purposes of complying with Public Law 99-88, August 15, 1985, as amended, 2 U.S.C. § 6317 (formerly 2 U.S.C. § 59), the space in this assignment is [insert USF] usable square feet.”

PBS must not alter the USF without prior approval of the Sergeant at Arms.

If there is U.S. Senate assignment in a building undergoing a remeasurement, the result of the remeasurement cannot increase the USF of the assignment. If there is an increase in the USF due to the remeasurement action, the additional square footage must be assigned to agency/bureau code 4714.

8.2. U.S. House of Representatives Pricing

All elements of PBS pricing policy apply to Members of the U.S. House of Representatives, with the following modifications:

- Although Members' terms are for 2 years, PBS enters into 6-year OAs with House Members. The 6-year OA provides parity with the U.S. Senate.
- TIs are amortized over the House Member's term, not to exceed 2 years.
- The Member of Congress signs the OA.

¹² The Memorandum of Agreement's full title is "Providing and Outfitting State Offices for U.S. Senators."

¹³ Per the Memorandum of Agreement, mid-occupancy TI alterations are a reimbursable service.

- The Member of Congress has the right to release space upon 30 days' prior written notice.
- In the event of the death or resignation of the Member, the Clerk of the House may continue to occupy the office for up to 60 days following the election.

Chapter 9. Emergencies

9.1. Building Failure in Federally Owned Space

In federally owned space priced via appraisal, PBS is responsible for restoration of TIs damaged by a building failure, e.g., burst pipe, up to the customer agency's TI allowance for the affected space, subject to availability of funds. While the customer agency is not charged for this restoration, any previous TI amortization would remain unchanged and continue to bill.

PBS will attempt to match the restoration of TIs to existing finishes. Customer agency input on the restoration will be sought, but PBS makes the final decision on any restoration, such as color matching or whether repair or replacement is appropriate.

If damaged space is determined to be untenantable by GSA, the customer agency will not be charged Rent for the period the space cannot be used. To qualify for this provision, the space must be unusable for at least 15 consecutive calendar days in a given month. PBS charges Rent on a monthly basis; therefore, Rent will be credited for the entire month, if the space is deemed untenantable.

If building damage is a result of customer agency negligence, willful destruction, tenant equipment not installed by PBS, or work not performed by PBS, then the customer agency is responsible for all restoration costs.

9.2. Disasters and Emergencies

PBS will find customer agencies new space on an immediate interim basis if the customer agency is forced to vacate its assigned space by a disaster or emergency, as declared by local, state or federal government. PBS will work with the Federal Acquisition Service to acquire furniture, phones, and computers, but funding will be the responsibility of the customer agency.

If the new space is temporary, PBS seeks no increase in Rent unless the customer agency increases its square footage or until the customer agency is provided time to budget. If the customer agency will not return to its original space, PBS will seek new space for the customer agency with a new OA tailored to the new assignment. In a permanent relocation, the customer agency does not pay for any unamortized TI costs at the vacated location.

9.3. Federal Emergency Management Agency OAs

PBS provides assistance to the Federal Emergency Management Agency (FEMA) following disasters according to a Memorandum of Agreement dated June 18, 2007. OAs are not required for disaster leases. FEMA pays the lessor directly. Any services that PBS provides to FEMA in these cases are compensated on a reimbursable basis by charging the salary cost of PBS personnel assigned to assist FEMA against an RWA provided by FEMA with the initial Mission Assignment.

Appendix A: Sample Format for Recurring Reimbursable Billing

[Customer agency]
 [Customer agency Street Address]
 [Customer agency City, State, Zip Code]

Dear Customer agency:

(If OA is in place.)

The purpose of this letter is to revise your current Occupancy Agreement (OA) to include recurring reimbursable charges on the PBS Rent Bill. The following information is provided for your approval and concurrence.

(If no OA is in place.)

The purpose of this letter is to obtain your approval to include recurring reimbursable charges on the PBS Rent Bill. The following information is provided for your review and concurrence.

(Check appropriate line; a separate letter should be prepared for each service.)

1. Service to be billed:

- ☐ Overtime Utilities
- ☐ Gas
- ☐ Electricity
- ☐ Steam
- ☐ Coal
- ☐ Oil
- ☐ Chilled Water
- ☐ Water
- ☐ Renewable Energy
- ☐ Enhanced Custodial Services
- ☐ Mechanical O&M HVAC
- ☐ Mechanical O&M Other (explain) _____

2. OA / ASA Number: *(If there is an OA in place, indicate the number. If no is OA in place, eliminate this item.)*

3. Lease or Building Number: *(Indicate lease or building number)*

4. Start Date: *(May start at any time during the FY, the norm is October of each year.)*

5. Termination Date: *(For federally owned, terminate at the OA expiration date or the end of the FY, whichever occurs first. For leased, terminate at the lease termination date or the end of the FY, whichever occurs first.)*

6. Annual Amount: *(Indicate annual amount for the current FY.)*

7. Monthly Amount: *(Indicate the monthly payment.)*

An annual administrative fee, currently \$100 per service rendered, is charged to the user for this billing accommodation. The fee is reflected in the first month the charge is billed.

This agreement will terminate on: *(Indicate end of FY, the OA expiration date for owned or lease expiration date, whichever occurs first.)* A new OA amendment *(if existing OA)* or a new agreement *(if no OA is in place)* will be required for the succeeding fiscal years.

Please indicate your concurrence and return to me via email at xxxx.xxxx@gsa.gov *(Email to the customer agency for concurrence and approval.)*

Sincerely

Signature Block

PBS

CUSTOMER AGENCY CONCURRENCE

NAME/TITLE

DATE

(The Office of Budget and Financial Management Revenue Director must verify that the customer agency is a “participating” agency. If input is made into the PBS inventory system and the customer agency is not a participating agency it CANNOT be deleted in the PBS inventory system. The existing chargeback procedures and rules will apply.)

(Upon receipt of concurrence, process billing through the OA Tool.)

Appendix B: Acronyms

Acronym	Term
A/B	Agency/bureau (code)
ABAAS	Architectural Barriers Act Accessibility Standard
ACO	Administrative contracting officer
ADS	Appraisal Data System
A/E	Architectural/engineering
ANSI	American National Standards Institute
AOUSC	Administrative Office of the U.S. Courts
ASA	Agency Space Assignment
BA	Budget activity
BOAC	Billing office accounting code
BOMA	Building Owners and Managers Association
BSAC	Building-specific amortized capital
CBR	Client Billing Record
CILP	Capital Investment and Leasing Program
CM	Construction management
COOP	Continuity of operations
COR	Contracting officer representative
CPI	Consumer price index
DHS	Department of Homeland Security
DID	Design intent drawing
EA	Environmental assessment
ECC	Estimated construction costs
EIS	Environmental impact study
ESA	Environmental site assessment
FAR	Fair annual rental
FBF	Federal Buildings Fund

Acronym	Term
FEMA	Federal Emergency Management Agency
FFB	Federal Financing Bank
FMR	Federal Management Regulation
FMV	Fair market value
FPR	Final proposal revisions
FPS	Federal Protective Service
FSC	Facility Security Committee
G&A	General and administrative
GNS	General storage (space classification)
GSA	General Services Administration
HEPA	High efficiency particulate air
HSPD-12	Homeland Security Presidential Directive 12
HVAC	Heating, ventilation, and air conditioning
IMV	Initial measurement and validation
IPAC	Intra-Governmental Payment and Collection System
IRIS	Inventory Reporting Information System
ISC	Interagency Security Committee
LA	Lease Amendment
LOU	Letter of understanding
LPOE	Land Port of Entry
MOA	Memorandum of agreement
NBC	National Broker Contract
NBSAP	National Business Space Assignment Policy
O&M	Operations and maintenance
OA	Occupancy agreement
OEP	Occupant emergency plans
OMB	Office of Management and Budget
OTFO	Other than full and open

Acronym	Term
PBS	Public Buildings Service
PDG	Pricing Desk Guide
POR	Program of requirements
R&A	Repair and alteration
R/U	Rentable square footage/usable square footage (ratio)
RLP	Request for Lease Proposal
ROI	Return on investment
RSF	Rentable square footage
RWA	Reimbursable work authorization
SDM	Spatial Data Management
SWA	Security work authorization
TA	Tenancy agreement
TFC	Tenant floor cut (space classification)
TI	Tenant improvements
TTO	Total office (space classification)
UPS	Uninterruptible power supply
USF	Usable square footage
USPS	United States Postal Service

Appendix C: Glossary

Term	Definition
Ad hoc clause	Customized clause specific to an assignment and not included elsewhere in the Occupancy Agreement.
Agency-specific clause	Outlines terms and conditions that a particular customer agency or bureau has agreed to use nationally in every Occupancy Agreement.
Antenna	Any device of a federal agency located on a leased or public building or on PBS-controlled land, which can be used to transmit or receive electromagnetic signals.
Appraisal Data System (ADS)	PBS's information technology system used to manage appraisal and rent data for federal properties.
BA 53	Budget Activity for Rental of Space (53). Provides for the rental and related services furnished by lessors for government-leased facilities under lease agreements.
Backfill	Existing space that is already built out but vacant and available for a new customer agency.
Building-specific amortized capital (BSAC) security	Security items that GSA funds lump sum and then amortizes the cost over the life of the improvement. BSAC items are a separate capital investment and are not included in the building shell or in tenant improvements. BSAC is the only security charge presently on the PBS Rent bill to customer agencies.
Building shell	The complete enveloping structure, the base building systems, and the finished common areas (building common and floor common) of a building that adjoin the occupant areas.
Common area factor	A conversion factor determined by the building owner and applied to the usable square footage to determine the rentable square footage for the space.
Continuing occupancy	In federally owned space, the customer agency remains in the same space occupied during the prior Occupancy Agreement term. In leased space, continuing occupancy is characterized by the execution of a lease extension, renewal option, succeeding lease, superseding lease, or new replacing lease that results in the customer agency remaining in the same space.

Term	Definition
Customization component	The customization component, part of the tenant improvement allowance, is a dollar amount per usable square foot tailored to individual customer agencies. The customization component covers special items, preparations, or finishes that are not typical to all office space, but are necessary to customize the space for a particular customer agency.
Demising wall	Wall that separates one tenant's space from that of the other, and from the common corridor.
Design intent drawings (DIDs)	Layout line drawings showing partitions and doors; schematic demolition; voice, data, and electrical outlet locations; finishes; generic furniture layout and any additional details necessary to communicate the design intent to the lessor's architect for the purposes of preparing the construction documents.
Forced move	When one customer agency is forcing another customer agency to move from its space prior to expiration of its Occupancy Agreement term. PBS can be the forcing agency.
Hurdle rate	PBS's return objective. The hurdle rate is a measure set so that all PBS assets are recovering the minimum cost of ownership and reinvestment.
Inventory system	PBS uses an enterprise inventory system called Real Estate Across the United States (REXUS).
Lease amendment	Lease form defining modified terms of a lease agreement after lease execution.
Lump-sum payment	A payment made for space-related services or tenant improvements not amortized in the Rent.
Non-cancelable space	In non-cancelable space, if the customer agency vacates the space prior to the expiration of the Occupancy Agreement, the customer agency continues to pay Rent until a backfill customer agency is found or the Occupancy Agreement expires.
New occupancy	Space that is new to the PBS inventory; space is considered new if its prior use was non-PBS, or if PBS's occupancy is discontinuous.

Term	Definition
OA Tool	PBS's information technology system used to create and maintain all versions of Occupancy Agreements and to bill customer agencies.
Occupancy Agreement (OA)	A complete, concise statement of the business terms governing the relationship between PBS and the customer agency for a specific space assignment.
OA Term	The specific duration that the customer agency has a right to occupy the space; customer agencies do not have a perpetual right to occupy the space identified in the OA.
Operating costs	The recurring costs of operating a building, such as utilities and cleaning.
PBS standard clause	Explains the obligations of both PBS and the customer agency during the acquisition of space as well as during occupancy; PBS standard clauses are mandatory for every OA and cannot be changed by the customer agency.
Reimbursable work authorization (RWA)	Funding document used by customer agencies to pay PBS for above-standard space-related services and above-allowance tenant improvements.
Relet space	Space that already has TIs installed for a prior tenant. This commonly occurs in backfill space when the space is already finished with complete TIs in place.
Rentable square footage	The area for which the customer agency is charged Rent; may include a share of building support and common areas.
Return on investment (ROI) pricing	A means of pricing that may be used when the fair annual rent (FAR) appraisal-based rental rate does not meet PBS's return objective.
Request for lease proposal (RLP)	Open source request for bids on a new leasehold relationship.
Tier	Level of customization allowance provided to a customer agency. Tier level is established by the PBS Office of Portfolio and Customer Engagement based upon typical customer agency use of space.

Term	Definition
Tenant improvement allowance	The funding source that enables the space to be built out for occupancy to meet a customer agency's specific requirements. To accommodate the varying space needs of customer agencies, the tenant improvement allowance has two components: general and customization.
Tenant improvements (TIs)	The finishes and fixtures that typically take space from the shell condition to a finished, usable condition. The resulting space is complete, meets applicable building codes, and meets the customer agency's functional needs.
Usable space	The area where a customer agency normally houses personnel or furniture.

Appendix D: RWA Management Fee Structure

For a recurring RWA, the Management Fee is a flat \$100 per service. For a non-recurring RWA the Management Fee is 4 percent. Examples of what is and is not covered by the RWA Management Fee are provided below:

COSTS ASSOCIATED WITH REAL PROPERTY	
Examples of What is Covered by The RWA Management Fee	Examples of What is <u>Not</u> Covered by the RWA Management Fee
<p>Costs Associated with Project Management Site Visits & Travel:</p> <ol style="list-style-type: none"> 1. Required commutes \leq 50 miles one way to the site from the nearest PBS service center or field office 2. The appropriate number of site visits will be conducted as agreed upon by the project team prior to RWA acceptance 3. PBS employee services managing travel 	<p>Costs Associated with Project Management Site Visits & Travel:</p> <ol style="list-style-type: none"> 1. Required Commutes > 50 miles one way to the site from nearest PBS service center or field office 2. Additional above the agreed-upon number of site visits 3. Travel associated with the PBS employee(s) performing as a construction manager
<p>PBS Employees' <u>Indirect</u> Time, to Include:</p> <ul style="list-style-type: none"> ○ Requirements Development Note: Space planning for initial and backfill occupancies is included in the shell rent <ul style="list-style-type: none"> • Limited to initial submission of the DID plus two reviews • A lease contracting officer has the option of making the government rather than the lessor responsible for providing DIDs. In this case either the customer provides the DIDs or gets charged. ○ Space Measurement and Acceptance ○ Material Sample/Selection Handling ○ Engineering Reviews ○ Cost/Material Negotiations ○ Cost Estimating and Review <ul style="list-style-type: none"> • Initial project budget estimate of shell, TI, security, AE and CM fee only ○ RETA Application/Support Services ○ RWA Management/Administrative Services ○ Contracting Officer Services ○ Project Management Services <ul style="list-style-type: none"> • Overseeing the Installation of Fixtures to Real Property • Overseeing Contracted Services • Ensuring PM data input/accuracy • Performing Schedule Assurance • Conducting Project/Status Meetings • Performing Project Cost Reconciliation 	<p>PBS Employees' <u>Direct</u> Time, to Include:</p> <ul style="list-style-type: none"> ○ PBS Engineering & Management Services ○ Above-Standard Space Planning for initial & backfill occupancies <ul style="list-style-type: none"> • Additional iterations of layout drawings • Specifications and finish schedules for personal property • Extensive program development such as detailed performance specs and cost estimates for specialty spaces ○ Space Planning after initial or backfill occupancy ○ Design/Architecture and Engineering <ul style="list-style-type: none"> • Developing Specifications • Developing Construction Drawings • Developing Additional/Detailed Estimates • Developing Detailed Schedules ○ Construction Management <ul style="list-style-type: none"> • Field Inspections • Regularly verifying the workmanship, materials, and equipment being installed • Witnessing required tests to confirm that testing procedures are proper • Witnessing implementation of corrective measures arising from test failures • PBS provided escort services • Security Clearance Processing • Any PBS employee activity in lieu of Contracted Services for A/E and CM

COSTS ASSOCIATED WITH REAL PROPERTY	
Examples of What is Covered by The RWA Management Fee	Examples of What is <u>Not</u> Covered by the RWA Management Fee
<ul style="list-style-type: none"> • Producing Progress/Receiving Reports • Ensuring Space Acceptance 	
<p>PBS Employees' <u>Indirect</u> Time, to Include:</p> <ul style="list-style-type: none"> o Overseeing the Installation of Personal Property being permanently attached to Real Property 	<p>Any directly contracted services</p> <ul style="list-style-type: none"> • Telecommunication network services and information technology • Furniture, equipment, and supplies <ul style="list-style-type: none"> o Planning, design, items, and installation • Move planning and execution of the physical relocation • Full-service relocation management, including, but not limited to: <ul style="list-style-type: none"> o Planning, scheduling, and developing move sequence plans o Conducting relocation project management meetings o Supervising deliveries and installations • Special consulting services, such as: <ul style="list-style-type: none"> o Office art o Audio-visual systems o Acoustics o Records management o Copy and mail room services o Lighting o Specialty security o Signage <p>PBS employee Direct Time, to include:</p> <ul style="list-style-type: none"> • PBS employee directly performing oversight services in lieu of contracted services • Project Management Services, including, but not limited to: <ul style="list-style-type: none"> o Oversight of Contracted Personal Property/ Ancillary Services o Material Sampling/Selection Handling o Engineering Reviews o Cost / Material Estimates o Cost Material Negotiations o Performing Schedule Assurance

COSTS ASSOCIATED WITH PERSONAL PROPERTY / “ANCILLARY SERVICES”	
Examples of What is Covered by the RWA Management Fee	Examples of What is <u>Not</u> Covered by the RWA Management Fee
	<ul style="list-style-type: none">○ Oversight of the Installation of Personal Property NOT permanently affixed to Real Property○ Contractor Officer Services○ RWA Management/Administrative Services

DOJ Authorities

(b)(6)

Fri 6/5/2020 5:34 PM

To: Lieberman, Andy K. EOP/OMB (b)(6)

Cc: Saltalamachea, Michael (b)(6)

Andy,

(b)(5)

Thanks,

(b)(6)

(b)(6)

Acting Assistant General Counsel for Appropriations and Fiscal Law
Office of the General Counsel
U.S. Department of Homeland Security

(b)(6)

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RE: FPS Authorities

Gereski Jr, John

(b)(6)

Tue 6/9/2020 11:15 AM

To: (b)(6)

Cc: Saltalamachea, Michael

(b)(6)

(b)(5); (b)(6)

From

(b)(6)

Sent: Tuesday, June 9, 2020 11:12 AM**To:** Gereski Jr, John

(b)(6)

Cc: Saltalamachea, Michael

(b)(6)

Subject: FPS Authorities

John,

(b)(5)

Thanks,

(b)(6)

(b)(6)

Acting Assistant General Counsel for Appropriations and Fiscal Law

Office of the General Counsel

U.S. Department of Homeland Security

(b)(6)

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RE: CFO Call

(b)(6)

Tue 6/9/2020 1:17 PM

To: (b)(6)

Cc: Saltalamachea, Michael (b)(6)

(b)(5)

Thanks

(b)(6)

Attorney Advisor - Federal Protective Service

(b)(6)

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From: (b)(6)

Sent: Monday, June 8, 2020 5:03 PM

To: (b)(6)

Cc: Saltalamachea, Michael (b)(6)

Subject: RE: CFO Call

(b)(5)

(b)(6)

The FPS Delegation says:

(b)(5)

(b)(5)

Thanks

(b)(6)

Attorney Advisor - Federal Protective Service

(b)(6)

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From: (b)(6)

Sent: Monday, June 8, 2020 4:48 PM

To: (b)(6)

Cc: Saltalamachea, Michael (b)(6)

Subject: RE: CFO Call

(b)(6)

(b)(5)

(b)(5)

Thanks,

(b)(6)

(b)(7)(E)

(b)(6)

Office of the General Counsel

(b)(6)

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From: (b)(6)**Sent:** Monday, June 8, 2020 4:15 PM**To:** (b)(6)**Subject:** RE: CFO Call

(b)(5)

Thanks

(b)(6)

Attorney Advisor - Federal Protective Service

(b)(6)

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From: (b)(6)**Sent:** Monday, June 8, 2020 4:02 PM**To:** (b)(6)**Subject:** RE: CFO Call

(b)(5)

Thanks,

(b)(6)

(b)(6)

Office of the General Counsel

(b)(6)

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From: (b)(6)**Sent:** Monday, June 8, 2020 3:37 PM**To:** (b)(6)**Subject:** RE: CFO Call

(b)(5)

Thanks

(b)(6)

Attorney Advisor - Federal Protective Service

(b)(6)

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From: (b)(6)**Sent:** Monday, June 8, 2020 3:36 PM**To:** (b)(6)**Subject:** RE: CFO Call

(b)(5)

(b)(6)

Office of the General Counsel

(b)(6)

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From: (b)(6)
Sent: Monday, June 8, 2020 3:34 PM
To: (b)(6)
Subject: RE: CFO Call

(b)(5)

Thanks

(b)(6) Attorney Advisor - Federal Protective Service

(b)(6)

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From: (b)(6)
Sent: Monday, June 8, 2020 3:10 PM
To: (b)(6)
Subject: CFO Call

Frank,

(b)(5)

Thanks,

(b)(6)

(b)(6)

Acting Assistant General Counsel for Appropriations and Fiscal Law
Office of the General Counsel
U.S. Department of Homeland Security

(b)(6)

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RE: CFO Call

(b)(6)

Tue 6/9/2020 2:02 PM

To: Saltalamachea, Michael (b)(6)

It's perfect. And your Article II stuff helps it. It stands to reason that, if the President has inherent authority to protect federal property, the federal agency given statutory authority to protect that property would also have very broad authority. (b)(5)

(b)(5)

(b)(6)

(b)(6)

Office of the General Counsel

(b)(6)

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From: Saltalamachea, Michael (b)(6)**Sent:** Tuesday, June 9, 2020 1:47 PM**To:** (b)(6)**Subject:** Re: CFO Call

Yeah, I agree, it would be something. (b)(5)

(b)(5)

Mike

Michael H. Saltalamachea
Deputy Associate General Counsel for General Law
Office of the General Counsel

(b)(6)

From: (b)(6)**Sent:** Tuesday, June 9, 2020 1:45:56 PM**To:** Saltalamachea, Michael (b)(6)**Subject:** FW: CFO Call

Mike,

(b)(5)

Cheers,

(b)(6)

(b)(6)

Office of the General Counsel

(b)(6)

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From:

(b)(6)

Sent: Tuesday, June 9, 2020 1:42 PM

To:

(b)(6)

Cc: Saltalamachea, Michael

(b)(6)

Subject: RE: CFO Call

Great. (b)(6) are already up to speed.

Thanks

(b)(6)

Attorney Advisor - Federal Protective Service

(b)(6)

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From:

(b)(6)

Sent: Tuesday, June 9, 2020 1:41 PM

To:

(b)(6)

Cc: Saltalamachea, Michael

(b)(6)

Subject: RE: CFO Call

Very neat. Let's see if we can get everyone on board with that.

(b)(5)

(b)(5)

Thanks,

(b)(6)

(b)(6)

Office of the General Counsel

(b)(6)

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From:

(b)(6)

Sent: Tuesday, June 9, 2020 1:37 PM**To:**

(b)(6)

Cc: Saltalamachea, Michael

(b)(6)

Subject: RE: CFO Call

(b)(5)

Thanks

(b)(6)

Attorney Advisor - Federal Protective Service

(b)(6)

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From:

(b)(6)

Sent: Tuesday, June 9, 2020 1:30 PM**To:**

(b)(6)

Cc: Saltalamachea, Michael

(b)(6)

Subject: RE: CFO Call

(b)(6)

(b)(5)

(b)(5)

Thanks,

(b)(6)

(b)(6)


Office of the General Counsel

(b)(6)

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 KeyCite Yellow Flag - Negative Treatment
Proposed Legislation

United States Code Annotated
Title 18. Crimes and Criminal Procedure (Refs & Annos)
Part II. Criminal Procedure
Chapter 203. Arrest and Commitment

18 U.S.C.A. § 3056

§ 3056. Powers, authorities, and duties of United States Secret Service

Effective: December 21, 2018

[Currentness](#)

(a) Under the direction of the Secretary of Homeland Security, the United States Secret Service is authorized to protect the following persons:

- (1) The President, the Vice President (or other officer next in the order of succession to the Office of President), the President-elect, and the Vice President-elect.
- (2) The immediate families of those individuals listed in paragraph (1).
- (3) Former Presidents and their spouses for their lifetimes, except that protection of a spouse shall terminate in the event of remarriage.
- (4) Children of a former President who are under 16 years of age.
- (5) Visiting heads of foreign states or foreign governments.
- (6) Other distinguished foreign visitors to the United States and official representatives of the United States performing special missions abroad when the President directs that such protection be provided.
- (7) Major Presidential and Vice Presidential candidates and, within 120 days of the general Presidential election, the spouses of such candidates. As used in this paragraph, the term “major Presidential and Vice Presidential candidates” means those individuals identified as such by the Secretary of Homeland Security after consultation with an advisory committee consisting of the Speaker of the House of Representatives, the minority leader of the House of Representatives, the majority and minority leaders of the Senate, and one additional member selected by the other members of the committee. The Committee shall not be subject to the Federal Advisory Committee Act (5 U.S.C. App. 2).
- (8) Former Vice Presidents, their spouses, and their children who are under 16 years of age, for a period of not more than six months after the date the former Vice President leaves office. The Secretary of Homeland Security shall have the authority to

direct the Secret Service to provide temporary protection for any of these individuals at any time thereafter if the Secretary of Homeland Security or designee determines that information or conditions warrant such protection.

The protection authorized in paragraphs (2) through (8) may be declined.

(b) Under the direction of the Secretary of Homeland Security, the Secret Service is authorized to detect and arrest any person who violates--

(1) [section 508](#), [509](#), [510](#), [871](#), or [879](#) of this title or, with respect to the Federal Deposit Insurance Corporation, Federal land banks, and Federal land bank associations, [section 213](#), [216](#), [433](#), [493](#), [657](#), [709](#), [1006](#), [1007](#), [1011](#), [1013](#), [1014](#), [1907](#), or [1909](#) of this title;

(2) any of the laws of the United States relating to coins, obligations, and securities of the United States and of foreign governments; or

(3) any of the laws of the United States relating to electronic fund transfer frauds, access device frauds, false identification documents or devices, and any fraud or other criminal or unlawful activity in or against any federally insured financial institution; except that the authority conferred by this paragraph shall be exercised subject to the agreement of the Attorney General and the Secretary of Homeland Security and shall not affect the authority of any other Federal law enforcement agency with respect to those laws.

(c)(1) Under the direction of the Secretary of Homeland Security, officers and agents of the Secret Service are authorized to--

(A) execute warrants issued under the laws of the United States;

(B) carry firearms;

(C) make arrests without warrant for any offense against the United States committed in their presence, or for any felony cognizable under the laws of the United States if they have reasonable grounds to believe that the person to be arrested has committed or is committing such felony;

(D) offer and pay rewards for services and information leading to the apprehension of persons involved in the violation or potential violation of those provisions of law which the Secret Service is authorized to enforce;

(E) pay expenses for unforeseen emergencies of a confidential nature under the direction of the Secretary of Homeland Security and accounted for solely on the Secretary's certificate; and

(F) perform such other functions and duties as are authorized by law.

(2) Funds expended from appropriations available to the Secret Service for the purchase of counterfeits and subsequently recovered shall be reimbursed to the appropriations available to the Secret Service at the time of the reimbursement.

(d) Whoever knowingly and willfully obstructs, resists, or interferes with a Federal law enforcement agent engaged in the performance of the protective functions authorized by this section or by [section 1752](#) of this title shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

(e)(1) When directed by the President, the United States Secret Service is authorized to participate, under the direction of the Secretary of Homeland Security, in the planning, coordination, and implementation of security operations at special events of national significance, as determined by the President.

(2) At the end of each fiscal year, the President through such agency or office as the President may designate, shall report to the Congress--

(A) what events, if any, were designated special events of national significance for security purposes under paragraph (1); and

(B) the criteria and information used in making each designation.

(f) Under the direction of the Secretary of Homeland Security, the Secret Service is authorized, at the request of any State or local law enforcement agency in conjunction with an investigation, or at the request of the National Center for Missing and Exploited Children, to provide forensic and investigative assistance.

(g) The United States Secret Service shall be maintained as a distinct entity within the Department of Homeland Security and shall not be merged with any other Department function. No personnel and operational elements of the United States Secret Service shall report to an individual other than the Director of the United States Secret Service, who shall report directly to the Secretary of Homeland Security without being required to report through any other official of the Department.

CREDIT(S)

(June 25, 1948, c. 645, 62 Stat. 818; July 16, 1951, c. 226, § 4, 65 Stat. 122; Aug. 31, 1954, c. 1143, § 2, 68 Stat. 999; [Pub.L. 86-168, Title I, § 104\(h\)](#), Aug. 18, 1959, 73 Stat. 387; [Pub.L. 87-791](#), Oct. 10, 1962, 76 Stat. 809; [Pub.L. 87-829](#), § 3, Oct. 15, 1962, 76 Stat. 956; [Pub.L. 89-186](#), Sept. 15, 1965, 79 Stat. 791; [Pub.L. 89-218](#), Sept. 29, 1965, 79 Stat. 890; [Pub.L. 90-608](#), c. XI, § 1101, Oct. 21, 1968, 82 Stat. 1198; [Pub.L. 91-644, Title V, § 19](#), Jan. 2, 1971, 84 Stat. 1892; [Pub.L. 91-651](#), § 4, Jan. 5, 1971, 84 Stat. 1941; [Pub.L. 93-346](#), § 8, July 12, 1974, as added [Pub.L. 93-552, Title VI, § 609\(a\)](#), Dec. 27, 1974, 88 Stat. 1765; [Pub.L. 94-408](#), § 2, Sept. 11, 1976, 90 Stat. 1239; [Pub.L. 97-297](#), § 3, Oct. 12, 1982, 96 Stat. 1318; [Pub.L. 97-308](#), § 2, Oct. 14, 1982, 96 Stat. 1452; [Pub.L. 98-151](#), § 115(b), Nov. 14, 1983, 97 Stat. 977; [Pub.L. 98-587](#), § 1(a), Oct. 30, 1984, 98 Stat. 3110; [Pub.L. 103-329, Title V, § 530](#), Sept. 30, 1994, 108 Stat. 2412; [Pub.L. 104-294, Title VI, § 605\(i\)](#), Oct. 11, 1996, 110 Stat. 3510; [Pub.L. 106-544](#), § 3, Dec. 19, 2000, 114 Stat. 2716; [Pub.L. 107-56, Title V, § 506\(b\)](#), Oct. 26, 2001, 115 Stat. 367; [Pub.L. 107-296, Title XVII, § 1703\(a\)\(1\)](#), Nov. 25, 2002, 116 Stat. 2313; [Pub.L. 108-21, Title III, § 322](#), Apr. 30, 2003, 117 Stat. 665; [Pub.L. 109-177, Title VI, §§ 604, 607, 608\(a\)](#), Mar. 9, 2006, 120 Stat. 253, 256; [Pub.L. 110-326, Title I, § 102](#), Sept. 26, 2008, 122 Stat. 3560; [Pub.L. 112-257](#), § 2, Jan. 10, 2013, 126 Stat. 2413; [Pub.L. 115-393, Title II, § 203](#), Dec. 21, 2018, 132 Stat. 5271.)

Notes of Decisions (23)

18 U.S.C.A. § 3056, 18 USCA § 3056

Current through P.L. 116-141.

End of Document

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FW: FPS

(b)(6)

Tue 6/9/2020 2:11 PM

To: (b)(6) Saltalamachea, Michael (b)(6)

1 attachments (148 KB)

(b)(5)

(b)(6)

See (b)(6) response below.

Thanks

(b)(6) Attorney Advisor - Federal Protective Service

(b)(6)

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From: (b)(6)**Date:** Tuesday, Jun 09, 2020, 2:05 PM**To:** (b)(6)**Cc:****Subject:** RE: FPS

(b)(5)

(b)(6)

Attorney Advisor for Federal Protective Service
Office of the General Counsel
Department of Homeland Security

(b)(6)

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From: (b)(6)**Sent:** Tuesday, June 9, 2020 1:55 PM**To:** (b)(6)**Cc:** (b)(6)**Subject:** RE: FPS

(b)(5)

(b)(6)

Attorney Advisor for Federal Protective Service
Office of the General Counsel
Department of Homeland Security

(b)(6)

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From: (b)(6)**Sent:** Tuesday, June 9, 2020 1:45 PM**To:** (b)(6)**Cc:** (b)(6)**Subject:** FW: FPS

(b)(5)

Thanks

(b)(6)

Attorney Advisor - Federal Protective Service

(b)(6)

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From: (b)(6)**Sent:** Tuesday, June 9, 2020 1:37 PM**To:** (b)(6)**Cc:** Saltalamachea, Michael

(b)(6)

Subject: FW: FPS

(b)(6)

(b)(7)(E)

FW: ADA emergency exception/DOJ funding update

(b)(6)

Fri 6/12/2020 9:47 AM

To: Saltalamachea, Michael

(b)(6)

Didn't mean to leave you off that one.

(b)(6)

Office of the General Counsel

(b)(6)

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From

(b)(6)

Sent: Friday, June 12, 2020 9:47 AM**To:** Swartz, Neal

(b)(6)

Subject: RE: ADA emergency exception/DOJ funding update

Neal,

(b)(5)

Thanks,

(b)(6)

(b)(6)

Office of the General Counsel

(b)(6)

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From: Swartz, Neal

(b)(6)

Sent: Friday, June 12, 2020 9:18 AM

(b)(7)(E)

6/9/2021

(b)(6)

To: Marcott, Stacy

(b)(6)

Cc: Saltalamachea, Michael

(b)(6)

(b)(6)

Mehringer, Holly

(b)(6)

Edgar, Troy

(b)(6)

Subject: RE: ADA emergency exception/DOJ funding update

~~Attorney-Client and Deliberative Process Privileged~~

Stacy,

(b)(5)

Thank you,
Neal

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From: Marcott, Stacy

(b)(6)

Sent: Friday, June 12, 2020 9:13 AM

To: Swartz, Neal

(b)(6)

Cc: Saltalamachea, Michael

(b)(6)

(b)(6)

Mehringer, Holly

(b)(6)

Edgar, Troy

(b)(6)

Subject: RE: ADA emergency exception/DOJ funding update

(b)(5)

From: Swartz, Neal

(b)(6)

Sent: Wednesday, June 3, 2020 8:27 AM

To: Marcott, Stacy

(b)(6)

Cc: Saltalamachea, Michael

(b)(6)

(b)(6)

Subject: ADA emergency exception/DOJ funding update

Stacy,

(b)(5)

Thank you,
Neal

(b)(6)

Sent from my DHS iPad

~~*** Warning *** Attorney/Client Privilege *** Attorney Work Product ***~~

(b)(7)(E)

[illegible]

[illegible]