

**CHAPTER 2
OVERALL LEASING POLICY**

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CHAPTER 2 OVERALL LEASING POLICY

2.A. GENERAL

- 2.A.1. Applicability** This chapter summarizes FDIC's leasing program, including the leasing process and the general policies that apply.
- 2.A.2. Leasing Process** Leasing is a multi-phase process as shown below:

I. Definition of Need	Identify space requirements Perform market survey Determine geographic boundaries Recommend lease term Prepare and approve Documentation of Need
II. Solicitation	Advertise Issue RFP Conduct pre-proposal conference Receive and review offers Survey sites Request and receive revised proposals Evaluate proposals
III. Award	Prepare and present Lease Case Negotiate and execute Lease Negotiate and execute Work Letter Complete initial tenant improvements
IV. Administration	Maintain official lease file Ensure data is updated in SLIMS Pay rent Audit operating expenses Closeout lease
<p><u>Note:</u> For field office and warehouse space, the Leasing Specialist may renegotiate the Lease at the existing site subject to LPM Section 6.C. in lieu of initiating the solicitation process.</p>	

2.B. LEASING PROCESS

2.B.1. Phase I – Definition of Need

Requirements for leased space must be adequately planned to ensure compliance with the Corporate Strategic Plan and Approved Staffing Projections. Phase I deals with the definition of these requirements.

All leases must be supported by a written Documentation of Need in advance of the solicitation process. The Documentation of Need provides the justification for authorization to proceed with the acquisition of the leased space.

Each Program Office shall identify its requirements based on mission, the Corporate Strategic Plan, Approved Staffing Projections, and special purpose requirements.

The Leasing Specialist shall:

- Obtain a market survey;
- In consultation with the Program Office(s):
 - Determine geographic boundaries, and
 - Recommend an initial lease term,
- Prepare the Documentation of Need; and
- Obtain required approvals for the Documentation of Need.

An Architect-Engineer shall be identified to assist in the development of the Documentation of Need for headquarters and regional office leases.

2.B.2. Phase II – Solicitation Process

Phase II, the Solicitation Process, is used to identify potential buildings which may meet the need as defined in Phase I.

The Leasing Specialist shall initiate the solicitation process for new leased space:

- For all headquarters and regional office locations;
- For field office and warehouse leases when:
 - The Documentation of Need justifies relocation;
 - Negotiations with the existing Landlord are not proceeding in the best interest of FDIC;
 - The Leasing Specialist and the existing Landlord have not agreed to all material lease terms and conditions of the new Lease by 9 months prior to expiration of the

existing Lease;

- The existing leased space and amenities do not meet the requirements; or
- The space needed is a new requirement.

The Leasing Specialist shall conduct the following activities under the solicitation process:

- Advertise (optional for field office and warehouse leases);
- Issue a Request for Proposal (RFP);
- Conduct a pre-proposal conference (optional for field office and warehouse leases);
- Receive and review proposals;
- Survey sites;
- Request and receive revised proposals (optional for field office and warehouse leases); and
- Evaluate offers.

2.B.3. Phase III – Award

Phase III, Award, involves the process of obtaining expenditure authority, negotiating with the selected offeror, lease execution, and build-out of the space. The Leasing Specialist shall:

- Prepare a case including the:
 - Requirements of the Program Office(s);
 - Summary of the solicitation process,
 - Summary of negotiations,
 - Financial analysis,
 - Best value determination, and
 - Recommended actions;
- Route the case to obtain appropriate concurrences and approvals in accordance with the Delegations of Authority;
- Negotiate the Lease using standard documents;
- Obtain the signatures for execution;
- Negotiate a Work Letter for the Landlord to construct initial tenant improvements; and
- Notify unsuccessful offerors and hold debriefings, if requested (optional for field office and warehouse leases).

The phase concludes with the completion of the initial tenant improvements and occupancy of the space by the Program

Office(s).

**2.B.4. Phase IV –
Administration**

Phase IV, Administration, is the day-to-day management of the Lease from the time of occupancy to closeout. The Leasing Specialist shall:

- Maintain the official lease file;
- Ensure data is updated in SLIMS;
- Pay rent;
- Audit operating expenses and real estate taxes;
- Negotiate any Amendments to the Lease (e.g., exercise of options); and
- Conduct closeout activities.

**2.B.5. Renegotiation of
Existing Lease –
Field Office and
Warehouse Leases
Only**

For field office and warehouse leases, the Leasing Specialist may renegotiate exclusively with the existing landlord to reach agreement on all material lease terms and conditions by a date certain. Any decision to remain shall be justified as the best value for FDIC.

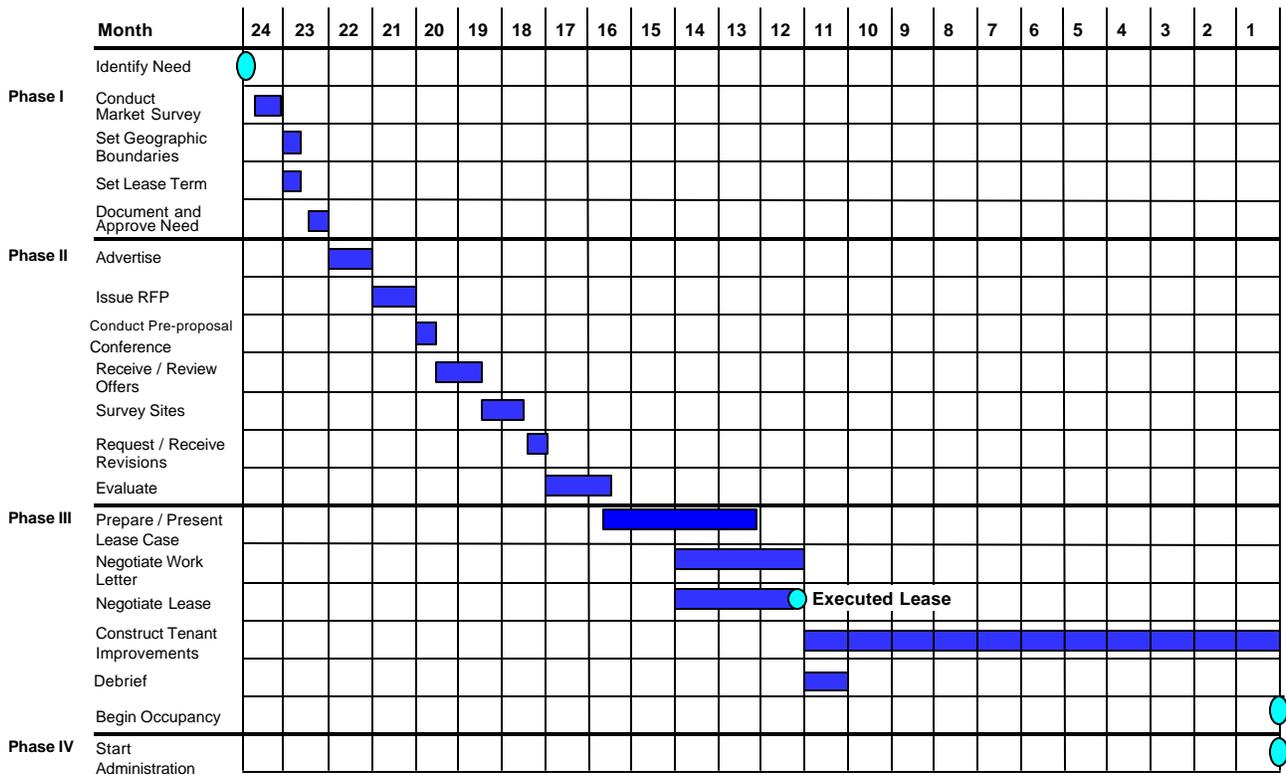
If renegotiation is successful, the Leasing Specialist shall not conduct Phase II, the Solicitation Process, but shall begin Phase III, Award.

2.C. TIME FRAMES FOR LEASE ACQUISITION

2.C.1. Headquarters and Regional Office Leases

The process to acquire headquarters and regional office leased space shall begin as far in advance of the need date as possible, ideally, 24 months.

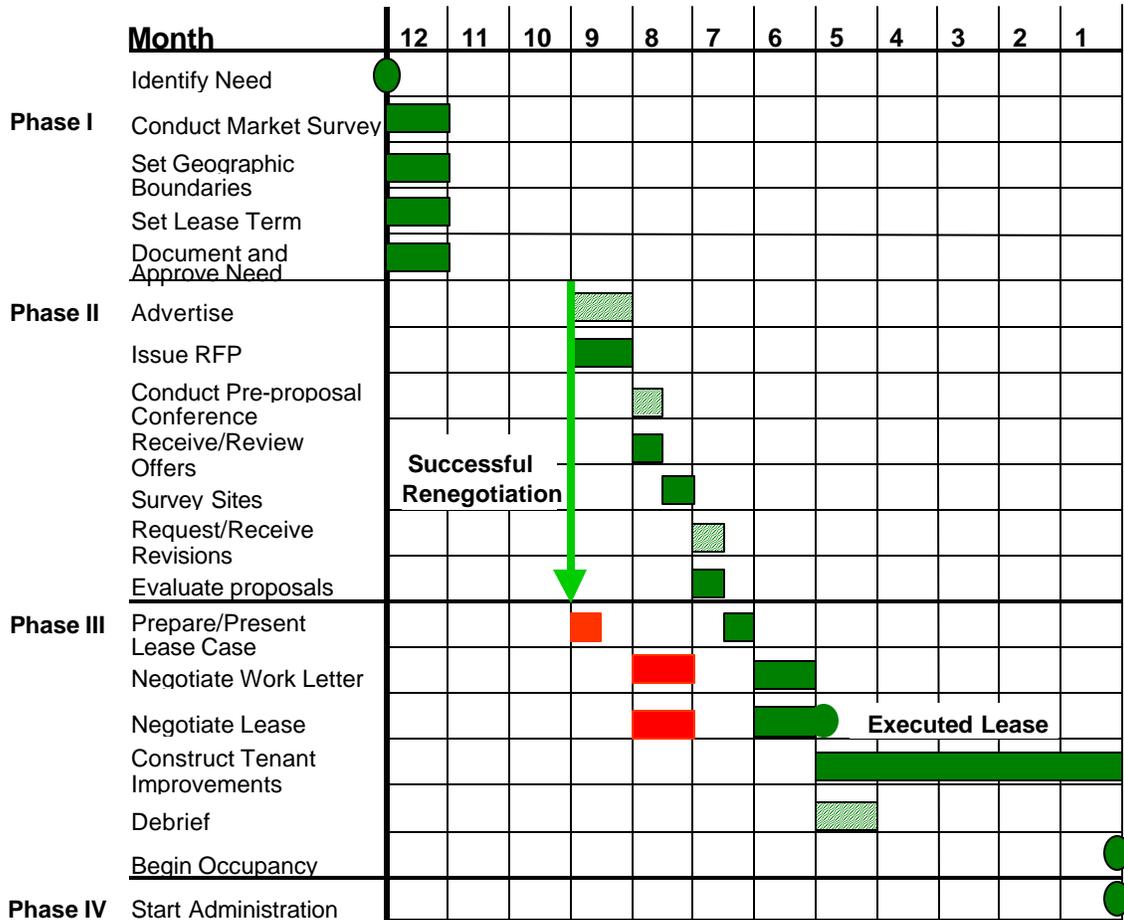
A suggested time frame follows:



2.C.2. Field Office and Warehouse Leases

The process to acquire field office and warehouse leased space shall begin as far in advance of the need date as possible, ideally, 9 –12 months.

A suggested time frame follows.



Key
 Required
 Optional

2.D. GENERAL POLICIES

- 2.D.1. Consistent with Corporate Strategic Plan** All leases shall support the documented needs of the Program Office(s) and be consistent with the Corporate Strategic Plan and Approved Staffing Projections.
- If the Program Office(s) staffing projections are greater than the current Approved Staffing Projections, the Assistant Director, Leasing Section, or Regional Manager, DOA, shall obtain approval from the Director, DOA, to lease the required space.
- The Program Office(s) requirements shall be documented in advance of the solicitation process. The Leasing Specialist shall prepare the Documentation of Need and obtain the Program Office(s) concurrence and required approvals.
- Management Review Staff shall confirm all Approved Staffing Projections.
- 2.D.2. Changes in Approved Staffing Projections** If additional leased space is required to meet changes in Approved Staffing Projections, an expansion may be negotiated.
- 2.D.3. Market Survey** The Leasing Specialist shall obtain a market survey whether renegotiating with the existing Landlord or soliciting for new leased space. For headquarters and regional office leases, the Leasing Specialist shall use the services of a professional Real Estate Broker (Broker) to prepare the market survey.
- For field office and warehouse leases, the Leasing Specialist may obtain the market survey either by using a Broker or by conducting an in-house survey of the general metropolitan area (GMA).
- 2.D.4. Space Classification** Class A space, where available, is preferred.
- 2.D.5. Geographic Boundaries** The geographic boundaries for headquarters and regional offices shall be within a defined mileage radius from the central business district (CBD). The radius shall be established to ensure adequate competition.
- When establishing a geographic boundary for space that replaces an existing office, and if the geographic boundary affects the Regional Pay Differential (RPD) and/or Locality Pay (LP), the Director, DOA, must approve the geographic boundaries.

The geographic boundaries for field offices and warehouse leases shall be determined in consultation with the Program Office(s).

2.D.6. Initial Lease Term

The initial lease term shall be determined by the Leasing Specialist in consultation with the Program Office(s) and shall be dependent on:

- Business need;
- Approved Staffing Projections; and
- Local real estate market conditions.

2.D.7. Term Over 5 Years

If the Documentation of Need seeks a lease with an initial term longer than 5 years, the Associate Director, ACSB, or Regional Manager, DOA, shall obtain written approval from the CFO.

2.D.8. Inventory Space

FDIC shall ensure that adequate vacant leased space within the geographic boundaries is not available in its inventory before beginning the solicitation process.

2.D.9. Use of a Broker

A professional Broker may be used to perform market surveys and assist in conducting the leasing process. For headquarters and regional office leases, a Broker is required, unless a waiver is obtained from the Associate Director, ACSB. However, for field and warehouse leases, the use of a Broker is optional. In-house staff may be used to conduct the entire leasing process.

The Leasing Specialist shall closely monitor the activity of the Broker, if used. The Broker shall not negotiate lease terms and conditions without the participation or specific authorization of the Leasing Specialist.

2.D.10. Gross Rent

For field office and warehouse leases, FDIC prefers to solicit for a gross rent, all-inclusive of operating expenses, utilities, and taxes. The rate may provide for a reasonable escalation.

2.D.11. Direct Lease vs Sublease

FDIC prefers to enter into direct leases to ensure a direct relationship with the provider of services for the leased space. If the Leasing Specialist determines that a sublease will provide the best value, the Leasing Specialist shall seek a waiver from the Associate Director, ACSB, before executing a sublease agreement.

2.D.12. Initial Tenant Improvements

FDIC prefers to use the Landlord, if possible, to construct initial tenant improvements. For field office and warehouse

leases the Landlord may also design the initial tenant improvements based on the Facilities Design Guide. Before accepting the Landlord's proposal for initial tenant improvements estimated to cost \$100,000 or greater, the Leasing Specialist shall compare the Landlord's cost to an independent estimate prepared by a Cost Estimator or Architect-Engineer. This estimate shall be used by the Leasing Specialist to determine that the Landlord's costs are fair and reasonable.

If the cost of initial tenant improvements is estimated to be less than \$100,000, a cost estimate for comparison purposes is required. However, the cost estimate may be prepared in-house or, if complex, by a Cost Estimator or Architect-Engineer.

The agreement with the Landlord regarding construction shall be based on the applicable *FDIC* standard work letter agreement (see 1.E.4, Standard Lease Documents)..

2.D.13. Rent Commencement

FDIC shall not pay rent for space it does not use without the specific approval of:

- Associate Director, ACSB, for headquarters and regional office leases; or
- Regional Manager, DOA, for field office and warehouse leases.

Accordingly, the obligation to pay rent shall commence upon or after the later of:

- Substantial completion of initial tenant improvements, or
- Occupancy.

2.D.14. Early Termination

If FDIC must vacate leased space before the expiration of a lease, in lieu of continuing to pay rent through the end of the term, FDIC prefers to buy out obligations at a substantial discount or net present value.

2.D.15. Subleasing Leased Space

The Director, DOA, shall approve subleasing of leased space in advance. The subleasing process for all leases shall be conducted by the Leasing Section, ACSB.

FDIC shall not enter into a sublease that increases its financial obligation under the Lease.

2.D.16. Additional Services

As part of the RFP, FDIC shall ask offerors to provide unit pricing for additional services. If the Lease provides for such

services, the Leasing Specialist may engage the Landlord to perform services during lease administration, as required, but shall be under no obligation to use the Landlord for such actions. The initial prices submitted by the Landlord may be subject to regular adjustment.

2.D.17. Comments on the Standard Lease Documents

The RFP shall instruct offerors to comment on the standard lease documents as part of their initial proposal. These comments will be evaluated in the analysis of proposals and used in the best value determination.

2.D.18. Security Deposit

FDIC shall not pay any form of security deposit or prepay any rent.

2.D.19. Abandonment

FDIC shall not enter into, or extend, any lease that defines vacating space as a breach of contract.

2.D.20. Holdover

FDIC, to the maximum extent possible, shall avoid invoking the holdover terms and conditions of the Lease.

Holdover is defined as “remaining in leased space after expiration of the Lease without a written agreement to extend.”

2.D.21. Landlord Eligibility and Waiver Policies

The Policy Statement on the Fitness and Integrity of Lessor’s of Real Property to the FDIC, 61 Federal Register 5554, et seq. (February 13, 1996), hereafter referred to as “Fitness and Integrity Policy,” as it has been amended by the LPM, shall apply to:

- Solicitations for headquarters and regional office leases;
- Headquarters and regional offices expansions of 20,000 square feet or greater; and
- Those field office and warehouse leases and/or expansions that comprise 20,000 square feet or greater.

With the approval of the Associate Director, ACSB, an abbreviated Fitness and Integrity certification, as set forth in LPM Exhibit B, may be used for:

- Field office and warehouse leases; and
- Headquarters and regional office extensions, where the original Landlord has transferred its interests to an unrelated third party.

FDIC shall not lease space from Landlords with conflicts of interest, unless waived, as defined in the Fitness and Integrity Policy (LPM Exhibit C).

2.D.22. Condition of Property

FDIC seeks leased space that will provide a safe and healthy environment for its employees. Offerors for leases shall certify the physical and environmental conditions of their buildings for leases subject to the Fitness and Integrity Policy as it has been amended by the LPM.

FDIC shall lease space in buildings that comply with the Americans with Disabilities Act (ADA).

2.D.23. Space Measurement

FDIC shall lease space based on calculations of space measurement pursuant to the Building Owners and Managers Association (BOMA) standards. If a market uses different measuring standards, the Leasing Specialist shall obtain approval before using the alternate standards as follows:

- Assistant Director, Leasing Section for headquarters and regional office leases; or
- Chief, Corporate Services Staff for field office and warehouse leases.

2.D.24. Confidentiality

To maintain the integrity of the competitive process there shall be no disclosure of prospective sites under consideration other than that which is required to conduct the leasing process.

2.D.25. Negotiation with Individual Offerors

The Leasing Specialist may negotiate on an individual basis with any offeror that meets the minimum requirements.

2.D.26. Written Lease Agreement

FDIC shall not occupy any space without a written Lease executed by all parties. For all leases executed after the effective date of the LPM, FDIC shall use the standard lease documents to the maximum extent possible (see 1.E.4, Standard Lease Documents).

2.D.27. Operating Expense and Real Estate Tax Audits

For headquarters and regional office leases, the Leasing Specialist shall engage an Auditor to audit operating expenses and real estate taxes for the base year and the second year. Additional audits may be requested as needed. The Leasing Specialist shall assess the necessity to audit the final year of a Lease promptly after receipt of the last operating expense statement. Whenever there is a transfer of ownership on the leased space, the Leasing Specialist shall determine whether an audit of the final year of the Lease under the transferring Landlord is required and shall review with particular care, the

first year of operating expenses provided by the new Landlord.

For field office and warehouse leases, the Leasing Specialist may engage an Auditor to conduct operating expense and real estate tax audits as needed.

2.D.28. Approval or Authorization

All approvals or authorizations required by the LPM shall be "written." For internal procedures, "written" shall mean in writing or through electronic mail, unless explicitly stated otherwise.

2.E. FILING AND RECORD RETENTION

2.E.1. Policy

The Leasing Specialist shall adhere to the FDIC Records Retention and Disposition Schedule, 3500.002.

The following documents shall be maintained for 6 years and 6 months after final lease payment:

- Potential offeror information;
- Proposals;
- Revised proposals;
- Lease cases; and
- Original leases, associated correspondence, and documentation.

2.E.2. Official Lease File

The official lease file shall be maintained by the Leasing Specialist and comprised of both pre-award and post-award documentation. Pre-award and post-award documentation file contents are described below.

Pre-Award Documentation	
Information received from the Program Office(s) Documentation defining geographic boundaries and initial lease term Documentation of Need Request for waiver, if any Market survey results Advertisement RFP Potential offeror questions and answers Pre-proposal conference documentation List of proposals and revised proposals received	Documented consideration of late proposals or revised proposals Requests for clarification from offerors Results of building tours Independent appraiser's determination Financial analyses Best value matrix Building elimination matrix Lease Case Negotiated Lease Negotiated Work Letter

Post-Award Documentation

The Leasing Specialist shall establish an 8-part post-award file.

Part 1: Lease Fact Sheets;

Part 2: PAVs;

Part 3: Escalations;

Part 4: Insurance;

Part 5: Alterations;

Part 6: Correspondence;

Part 7: Lease case, legal opinion, and approvals;

Part 8: Lease and Amendments.

For leases entered into before the effective date, the official lease file must contain the information above, but need not be in the 8-part file format.

2.E.3. Official Lease File Location

The Leasing Specialist shall keep the official lease file in a central, secured location.

Unsuccessful offeror proposals may be sent to off-site storage no earlier than 30 days after lease award provided that debriefings, if any, are completed.

2.E.4. Copy

The Leasing Specialist shall submit a copy of all Leases and Amendments to the Assistant Director, Leasing Section, promptly after lease execution.

2.F. AUTOMATED TOOLS

- 2.F.1. SLIMS** The Leasing Section has developed a PC-based system, Strategic Leasing and Insurance Management System (SLIMS) which shall be a complete repository of FDIC leasing information. ACSB is responsible for maintaining the system, coordinating training, and for preparing system documentation.
- 2.F.2. Purpose** SLIMS shall be used to support leasing activities including inquiry, payment processing and tracking, critical date management, and reporting.
- 2.F.3. Data** The Leasing Specialist or designee shall perform timely input and updates of data in SLIMS.

2.G. WAIVERS

- 2.G.1. Definition** A waiver is a one-time authorization from the Associate Director, ACSB, to proceed with a leasing action outside of one or more provisions of the LPM.
- 2.G.2. Approval in Advance of Use** The Leasing Specialist shall request a waiver as soon as the need is identified as follows:
- Through the Assistant Director, Leasing Section, for headquarters and regional office leases; or
 - Through the Regional Manager, DOA, for field office and warehouse leases.
- 2.G.3. Request for Approval** The request for waiver shall include the following information:
- Identification of the LPM requirement from which waiver is sought;
 - Full description of the leasing action;
 - Explanation of why the waiver is necessary or desirable; and
 - Copies of any documents involved.
- 2.G.4. Disposition** The Associate Director, ACSB, shall acknowledge and act on a waiver request within a reasonable period of time. The Leasing Specialist shall be notified in writing of the decision of the Associate Director, ACSB.
- 2.G.5. Records** The Leasing Specialist shall maintain copies of all correspondence requesting, authorizing, denying, or otherwise dealing with waivers in the official lease file.