

**CHAPTER 7  
LEASE ADMINISTRATION**

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## CHAPTER 7 LEASE ADMINISTRATION

### 7.A. GENERAL

- 7.A.1. Authority** This chapter applies to all headquarters, regional office, field office and warehouse leases, from the time of Lease execution through the closeout of the Lease.
- 7.A.2. Definitions** Lease administration includes:
- Rent payments;
  - Verifying rental rate changes;
  - Reviewing operating expense and real estate tax changes;
  - Monitoring audits;
  - Enforcing Landlord performance;
  - Ensuring that documentation is maintained in the official post-award lease file;
  - Conducting lease expiration activities; and
  - Closing out the Lease.
- 7.A.3. Transition** The Leasing Specialist responsible for negotiating the Lease is usually responsible for lease administration. If not the same Leasing Specialist, the individual negotiating the Lease shall be responsible for briefing the new Leasing Specialist on issues that might affect Lease performance and for handing over all information (official lease file and related documents) pertinent to lease administration including:
- Proposal and revised proposal;
  - Original signed Lease;
  - Correspondence generated during negotiations;
  - Approved Lease Case.
- 7.A.4. Official Post-Award Lease File** The Leasing Specialist shall maintain the post-award section of the official post-award lease file.
- 7.A.5. SLIMS** SLIMS is an automated system designed specifically to support the lease administration process. It automates lease administration and payment functions to enable the Leasing Specialist to track changes, ancillary documents, and payments on a daily basis.
- SLIMS maintains information on critical dates which the

- Leasing Specialist shall monitor to ensure all required lease administration functions are performed on a timely basis.
- 7.A.6. PAV** Payment authorization is made using a Payment Authorization Voucher (PAV). The Leasing Specialist shall prepare each PAV for rental payments from SLIMS and obtain the necessary signatures.
- 7.A.7. Original Notices/Documents** The Leasing Specialist shall date stamp and place all original notices or documents in the official post-award lease file. The Leasing Specialist shall use copies of original notices or documents for day-to-day activities.
- 7.A.8. Additional Procedures** This chapter contains the general procedures for lease administration. Extensions are covered in LPM Chapter 8, expansions in LPM Chapter 9, and vacating leased space before expiration in LPM Chapter 10.

**7.B. ROLES AND RESPONSIBILITIES**

- 7.B.1. Assistant Director, Leasing Section** For headquarters and regional office leases, the Assistant Director, Leasing Section shall approve and sign:
- Lease Fact Sheets;
  - PAVs;
  - Vendor Add Forms;
  - Estoppel Certificates; and
  - Subordination and Non-Disturbance Agreements.
- 7.B.2. Leasing Specialist** The Leasing Specialist is responsible for lease administration including preparation of Lease Fact Sheets and PAVs.
- For field office and warehouse leases, the Leasing Specialist may be the same person as the Facilities Manager.
- 7.B.3. Chief, Corporate Services Staff** For field office and warehouse leases, the Chief, Corporate Services Staff, or designee, shall approve and sign:
- The Lease Fact Sheets and PAVs for rent payments;
  - The Vendor Add Form; and
  - Estoppel Certificates and Subordination and Non-Disturbance Agreements.
- 7.B.4. Facilities Manager** The Facilities Manager, or designee, is responsible for day-to-day operations of the leased space and coordinating any unresolved issues with the Leasing Specialist. The Facilities Manager shall sign all PAVs for Landlord-provided additional services payments.
- 7.B.5. Warranted Contracting Officer** Upon request, a Warranted Contracting Officer shall engage auditors to perform reviews of operating costs and real estate taxes.
- 7.B.6. Oversight Manager** The Oversight Manager for the audit contract shall review the auditor's findings and make recommendations to the Leasing Specialist.
- 7.B.7. Legal Division** The Legal Division shall:
- Interpret the Lease if the Leasing Specialist has questions;
  - Review the Lease for remedies upon request by the Leasing Specialist if Landlord nonperformance issues cannot be resolved;

- Consult with the Leasing Specialist if pre-walkthrough discrepancies exist between FDIC and the Landlord;
- Draft correspondence and provide other services requested by the Leasing Specialist;
- Work with the Oversight Manager for audits to review the auditors findings;
- Review Estoppel Certificates; and
- Review Subordination and Non-Disturbance Agreements.

**7.B.8. Disbursements  
Section**

The Disbursement Section, DOF, shall process all lease payments based on authorized PAVs.

**7.B.9. DIRM**

Upon commencement, expiration, or termination of a Lease, DIRM shall coordinate with the Facilities Manager to install or remove all computers and telecommunications to and from the leased space, as applicable.

**7.C. STARTUP FUNCTIONS**

- 7.C.1. Documents** The Leasing Specialist shall obtain copies of all documentation necessary to administer the Lease.
- 7.C.2. Initial Data Entry** The Leasing Specialist shall enter pertinent data into SLIMS upon receipt of an executed Lease including property information and lease information, consisting of:
- General information;
  - Critical dates;
  - Lease terms and conditions and document information;
  - Annual budget information;
  - Staff allocations; and
  - Monthly rent and expenses.
- Once data has been entered, the Leasing Specialist shall review the data and print a draft Lease Fact Sheet.
- 7.C.3. Lease Fact Sheet** The Leasing Specialist shall review the SLIMS-generated draft Lease Fact Sheet to verify that all new lease information is accurate. The Leasing Specialist shall make any necessary corrections and:
- Print a Lease Fact Sheet;
  - Sign and date the Lease Fact Sheet;
  - Obtain the signature and date of the individual designated by the Assistant Director, Leasing Section, or Chief, Corporate Services Staff, to review the Lease Fact Sheet; and
  - Obtain the signature of the Assistant Director, Leasing Section, or Chief, Corporate Services Staff, or designee.
- 7.C.4. Taxpayer Identification Form** The Leasing Specialist shall verify that the Landlord's taxpayer identification number (TIN) is correct or obtain the correct TIN from the Landlord on the Landlord's letterhead.
- 7.C.5. Vendor Add Form** The Leasing Specialist shall prepare a Vendor Add Form, including the TIN, proof of the TIN, and proof of an FDIC business relationship with the vendor. The Leasing Specialist shall obtain approval from the Assistant Director, Leasing Section, or Chief, Corporate Services Staff, on the Vendor Add Form and:
- Submit the original Vendor Add Form to the

Disbursements Section, DOF.

- File a copy of the Vendor Add Form in the official lease file; and
- Attach a copy of the Vendor Add Form to the first Lease Fact Sheet.

**7.C.6. Distribution**

The Leasing Specialist shall send the following to the Disbursements Section, DOF:

- Original Vendor Add Form;
- Original Lease Fact Sheet; and
- Copy of the Lease.

**7.D. RENT PAYMENTS**

**7.D.1. Payments**

The Leasing Specialist shall review the Lease to determine the payment schedule. Generally, rent payments are due monthly, in advance, on the first day of the month.

For payments with a rent due date on the first of the month, the PAV shall be sent to DOF by the 25<sup>th</sup> of the preceding month. For payments with a rent due date other than the first of the month, the PAV shall be sent to DOF 5 days before the actual due date.

The PAV shall be approved and signed by the Chief, Corporate Services Staff, or designee, or Assistant Director, Leasing Section, as applicable.

**7.D.2. Prorated Payment**

If rent does not begin on the first day of the month, the first month's rent payment may need to be prorated. The Leasing Specialist shall perform the following calculation if the first month's rent requires prorating:

$$\frac{\text{Monthly Rate}}{\text{Days in Month of Occupancy}} = \text{Daily Rate}$$

$$\text{Days Occupied} \times \text{Daily Rate} = \text{Prorated Rent}$$

**7.D.3. Applicability of Prompt Payment Act**

The standard lease documents may provide for a default interest rate which supersedes the requirements of the Prompt Payment Act. The Leasing Specialist shall determine whether a default interest or late payment fee is included in the Lease and enter the information into SLIMS.

## 7.E. RENT PAYMENT ADJUSTMENTS

- 7.E.1. Rent Payment Adjustments** The following rent payment adjustments may occur during the term of the Lease:
- Base rent changes;
  - Operating expense adjustments;
  - Real estate tax adjustments;
  - Index adjustments; and
  - One-time payments.
- 7.E.2. Base Rent Changes** The Leasing Specialist shall determine when regularly scheduled rent changes apply and ensure that the information is entered into SLIMS to trigger the adjusted PAV and new Lease Fact Sheet.
- 7.E.3. Operating Expense** If the Lease provides for adjustment based on operating expenses, the Leasing Specialist shall review such adjustments by line item (e.g., cleaning, electricity) if the Lease requires the Landlord to provide such detail. The changes requested shall be compared with previous adjustments to determine any inconsistencies. The Leasing Specialist shall discuss any unusual changes with the Landlord and request backup information within the time frame required by the Lease.
- 7.E.4. Real Estate Taxes** The Landlord should send a copy of the paid tax bill with the notice for a rent adjustment. The Leasing Specialist shall verify rent adjustments based on changes in the real estate taxes paid. If there is a discrepancy, the Leasing Specialist shall ask the Landlord to provide additional documentation.
- 7.E.5. Index Adjustment** The Leasing Specialist shall confirm all rent adjustments based on indexes (e.g., Consumer Price Index) with the appropriate organization (e.g., Department of Commerce, Department of Labor).
- 7.E.6. One-Time Payments** For one-time payments, the Leasing Specialist shall verify the amounts due pursuant to the terms and conditions of the Lease. All one-time payments shall be paid promptly.
- 7.E.7. Concerns** If a serious concern which the Leasing Specialist is unable to resolve arises, and the terms and conditions of the Lease permit, the Leasing Specialist shall request a review of the Landlord's operating expenses and real estate taxes. If the results of the review warrant an audit, the Leasing Specialist

shall request an audit through the Assistant Director, Leasing Section, or Chief, Corporate Services Staff.

**7.E.8. Audits**

For headquarters and regional office leases, the Leasing Specialist shall engage an auditor through a Warranted Contracting Officer to audit operating expenses and real estate taxes for the base year, and year 2.

For field office and warehouse leases, the Leasing Specialist may engage an auditor through a Warranted Contracting Officer, to conduct operating expense and real estate tax audits as needed.

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.

If there is a change of ownership on the leased space, the Leasing Specialist shall audit the final year of the previous Landlord and the first year and year 2 of the Lease term under the new Landlord.

**7.E.9. SLIMS**

After verification, the Leasing Specialist shall enter all rent changes into SLIMS.

**7.E.10. Lease Fact Sheet**

After the changes are entered, the Leasing Specialist shall generate a new Lease Fact Sheet from SLIMS for signature by all parties required as set forth in LPM Section 7.C.3.

**7.E.11. Distribution**

The Leasing Specialist shall attach the revised Lease Fact Sheet to the PAV for the first month after the change is effective and distribute as set forth in LPM 7.C.6.

## 7.F. MONITORING

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- 7.F.1. Terms and Conditions of the Lease** SLIMS highlights significant terms and conditions of the Lease for monitoring, including:
- Contraction;
  - Expansion;
  - Extension;
  - Holdover;
  - Improvement allowance;
  - Landlord insurance coverage;
  - Tenant insurance coverage;
  - Parking;
  - Security deposit;
  - Assignment and subletting;
  - Tenant remedies; and
  - Termination.
- The Leasing Specialist shall be familiar with additional Landlord obligations including maintenance and repairs.
- 7.F.2. Coordination with Facilities** The Facilities Manager shall notify the Leasing Specialist if unable to resolve problems with building operations. The Facilities Manager shall document the dispute in writing and forward the documentation to the Leasing Specialist.
- The Leasing Specialist shall contact the Landlord to resolve the issue(s).
- 7.F.3. Parking and Additional Services** The Facilities Manager shall reconcile charges for parking and other services to verify compliance with the Lease.
- The Facilities Manager shall process payments for parking and other services through SLIMS.

**7.G. NONPERFORMANCE ISSUES**

- 7.G.1. Nonperformance** The Facilities Manager, or designee, shall handle day-to-day nonperformance issues, and maintain written documentation of nonperformance issues.
- If unresolved, the Facilities Manager shall refer the issue(s) to the Leasing Specialist and provide copies of all documentation. The Leasing Specialist shall notify the Landlord in writing.
- 7.G.2. Coordination With Legal Division** If unresolved issues(s) exist, the Leasing Specialist shall ask the Legal Division to review the Lease to identify available remedies and provide general assistance.
- 7.G.3. Due Notice** The Leasing Specialist shall prepare a notice to the Landlord describing the problem and providing a deadline for the problem to be rectified, which time period is not less than any time period to cure provided in the Lease. If the problem is complex, the Legal Division shall review the notice before issuance. The Leasing Specialist shall send the notice to the Landlord in accordance with the notice provision of the Lease with a copy to the Legal Division.
- 7.G.4. Untenantability** If the Facilities Manager believes that the leased space is untenable, the Leasing Specialist must be informed immediately. The Leasing Specialist, in consultation with the Legal Division, shall determine if the condition makes the leased space untenable in accordance with the Lease and take the appropriate action including offsetting rent when such remedy is available under the Lease.

## 7.H. ADDITIONAL FUNCTIONS

### 7.H.1. Amendments

All changes to leases shall be documented by an amendment. An amendment may be prepared by either the:

- Legal Division;
- Leasing Specialist; or
- Landlord.

In all cases, the Legal Division shall review the amendment to ensure all changes to the Lease are reflected.

### 7.H.2. Estoppel Certificates

If the Leasing Specialist receives a request for an Estoppel Certificate, the Leasing Specialist shall review:

- Review the Lease to determine FDIC obligation;
- Complete the Estoppel Certificate;
- Request a review by the Legal Division;
- Obtain the necessary signature from the Assistant Director, Leasing Section, or Chief, Corporate Services Staff, or designee; and
- Return the documentation to the Landlord.

### 7.H.3. Subordination and Non-Disturbance Agreement

If the Leasing Specialist receives a Subordination and Non-Disturbance Agreement, the Leasing Specialist shall:

- Review the Lease to determine FDIC obligation;
- Request a review by the Legal Division;
- Obtain the necessary signature from the Assistant Director, Leasing Section, or the Chief, Corporate Services Staff, or designee; and
- Return the documentation to the Landlord.

### 7.H.4. Changes of Ownership

The Leasing Specialist shall not make any changes in SLIMS regarding ownership of the leased space without the written notification (with appropriate substantiation) of the change from the current landlord. Upon receipt of the notification, the Leasing Specialist shall:

- Complete a Vendor Add Form;
- Obtain a Tax Identification Number (TIN) from the new Landlord;
- Provide a copy of the Vendor Add Form to the SLIMS Administrator to update the SLIMS database; and

- Generate a new Lease Fact Sheet from SLIMS.

For headquarters and regional offices leases, the Leasing Specialist shall:

- Request an operating expense and real estate tax audit for the previous Landlord for the last year of ownership by the previous Landlord; and
- Request an operating expense and real estate tax audit for the first year, and year 2 of the Lease term under the new Landlord.

## 7.I. EXPIRATION

- 7.I.1. Expiration Date** A critical date identified in SLIMS is expiration of the initial lease term. The Leasing Specialist shall monitor this date.
- 7.I.2. Condition of Leased Space** The Leasing Specialist shall review the Lease to determine requirements for the condition of the leased space at expiration.
- The Leasing Specialist shall consult with the Legal Division if the Leasing Specialist and the Landlord do not agree on FDIC obligations.
- The Facilities Manager shall coordinate with DIRM to ensure that DIRM removes all computer and communication equipment.
- 7.I.3. Pre-Walkthrough Inspection of Leased Space** The Leasing Specialist, the Facilities Manager, and appropriate FDIC onsite personnel shall conduct a pre-walkthrough with the Landlord to determine if any damage has occurred or restoration is required (in accordance with the Lease) before moving from the leased space.
- 7.I.4. Closing the Office** After vacating the leased space, and immediately preceding the expiration or earlier termination, the Leasing Specialist and Facilities Manager shall conduct a final walkthrough with the Landlord to confirm repairs have been completed to the satisfaction of the Landlord.
- 7.I.5. Security** After vacating the leased space, the Facilities Manager shall ensure that the leased space remains secured.
- 7.I.6. Release** The Leasing Specialist shall determine the documentation required for expiration.
- If the Lease provides for a release, the Leasing Specialist shall contact the Legal Division to draft a release and obtain the Landlord's signature.
- If not required by the Lease, the Leasing Specialist shall negotiate with the Landlord to attempt to obtain a release.
- 7.I.7. Notice** The Leasing Specialist shall send a notice confirming the expiration to the Landlord documenting the conclusion of the Lease and relief from further obligation.

**7.J. CLOSEOUT**

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- 7.J.1. Request Audit**      The Leasing Specialist may request an audit of operating expenses and real estate taxes, if allowable under the Lease. The Leasing Specialist shall make the determination to audit the final year promptly after receipt of the last operating expense statement.
- 7.J.2. Final Payment**      The Leasing Specialist shall ensure final payment has been made in compliance with the time frames defined in the Lease.
- 7.J.3. Official Lease File**      The Leasing Specialist shall review the official lease file to ensure completeness and prepare for storage. The official lease file shall be stored in compliance with FDIC record retention requirements discussed in LPM Section 2.E.

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