

## **CHAPTER 8 LEASE RENEWAL AND EXTENSION**

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## **CHAPTER 8**

### **LEASE RENEWAL AND EXTENSION**

#### **8.A. GENERAL**

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##### **8.A.1. Definition**

A lease renewal is an extension of the lease term pursuant to provisions of the Lease for a fixed period of time. The length of the lease renewal shall be the renewal term provided for in the Lease.

An extension is an agreement, not provided in the Lease, to extend the term of a Lease after expiration of the initial term and all options. An extension may occur:

- If unforeseen circumstances arise, such as delays during the acquisition of new leased space or disapproval of a Lease Case resulting in the need for a new leasing process; or
- If an extension makes good business sense to FDIC and is justified and approved by the Associate Director, ACSB.

An extension shall not exceed 6 months for field office and warehouse leases or 5 years for headquarters and regional office leases.

Lease renewal and extension shall be known as “extension.”

##### **8.A.2. Non-Conforming Term**

Any extension for a term of greater than the limits set forth in 8.A.1., shall be subject to the requirements of the leasing process described in LPM Chapters 4 for headquarters and regional offices and Chapter 6 for field offices and warehouses.

##### **8.A.3. Notification**

For all leases, the Leasing Specialist shall notify the Director, DOA, that the Leasing Specialist intends to exercise a renewal or seek an extension.

##### **8.A.4. Holdover**

Extending the term by holdover shall not be used unless the holdover terms are more favorable to FDIC than a fixed extension, or a month-to-month Lease, or the Landlord refuses to enter into a fixed term or month-to-month extension.

If the Leasing Specialist intends to extend the term using holdover terms and conditions in the Lease, the Director, DOA, must be informed immediately.

##### **8.A.5. Lease Document**

Unless FDIC is extending the term pursuant to the holdover

**Format**

provision, the lease renewal and the extension shall be formalized in an Amendment approved by the Legal Division.

If extending the term pursuant to holdover, the Leasing Specialist shall prepare a letter for approval by the Legal Division.

**8.A.6. Expenditure Authority**

Expenditure authority shall be obtained to cover the entire period of the lease renewal or extension. If a month-to-month arrangement or holdover is intended, the expenditure authority shall cover the entire period up to the end of the projected revised requirement date. The request for expenditure authority shall be presented in case format to the appropriate delegated authority for approval.

## **8.B. ROLES AND RESPONSIBILITIES**

- 8.B.1. Program Office(s)** If the need for the extension arises from unique Program Office(s) requirements, the Program Office(s) shall prepare a justification of the need for the extension.
- The Program Office(s) shall concur on the Lease Case.
- 8.B.2. Board of Directors** The Board of Directors is the approving authority for extensions requiring expenditure authority in excess of \$3,000,000.
- 8.B.3. Director, DOA** The Director, DOA, shall review and approve the Lease Case in accordance with Delegations of Authority.
- In all cases where holdover is necessary, the Director, DOA, shall be notified by the Associate Director, ACSB, or the Regional Manager, DOA, to obtain his concurrence on the Lease Case.
- 8.B.4. Associate Director, ACSB** For headquarters and regional office leases, the Associate Director, ACSB, shall:
- Notify the Director, DOA, of holdover;
  - Approve the Lease Case; and
  - Execute amendments documenting extensions in accordance with the Delegations of Authority.
- The Associate Director, ACSB, shall authorize Fitness and Integrity Policy waivers and use of the abbreviated Fitness and Integrity certification;
- 8.B.5. Regional Manager, DOA** For field office and warehouse leases, the Regional Manager, DOA, shall:
- Notify the Director, DOA, of holdover;
  - Approve the Lease Case for extension in accordance with Delegations of Authority; and
  - Review the Amendment before the Landlord signs it.
- 8.B.6. Assistant Director, Leasing Section** For headquarters and regional office leases, the Assistant Director, Leasing Section, shall:
- Concur or approve the Lease Case; and
  - Execute amendments documenting extensions in

accordance with the Delegations of Authority.

**8.B.7. Leasing Specialist**

The Leasing Specialist shall:

- Prepare the Documentation of Need;
- Conduct a market survey if the length of the extension is greater than 1 year;
- Negotiate with the Landlord;
- Prepare the Lease Case;
- Ensure the Lease Case is approved and the Amendment is prepared and signed; and
- Enter data into SLIMS, generate a new Lease Fact Sheet, and update the official post-award lease file.

**8.B.8. Facilities Manager, Corporate Services**

The Facilities Manager shall notify the Leasing Specialist of a need for extension.

**8.B.9. Legal Division**

The Legal Division shall:

- Advise the Leasing Specialist regarding the Lease or applicable documents;
- Participate in negotiations of the extension; and
- Draft and/or review the Amendment.

**8.B.10. Labor and Employee Relations Specialist, PSB**

The Labor and Employee Relations Specialist, PBS, shall coordinate the review of the Documentation of Need and the Amendment with the NTEU.

## **8.C. PROCEDURES FOR LEASE RENEWALS**

- 8.C.1. Notification of Need** The Leasing Specialist shall notify the Program Office(s) 6 months before the date that a notice is required to exercise an option to renew, pursuant to the Lease.
- 8.C.2. Documentation of Need** The Leasing Specialist shall prepare the Documentation of Need for the lease renewal as described in LPM Section 3.E. for headquarters and regional office leases and LPM Section 5.E. for field office and warehouse leases. The Documentation of Need may be in the form of a memorandum.
- 8.C.3. Review by NTEU** The Leasing Specialist shall forward a copy of the approved Documentation of Need to the Labor and Employee Relations Specialist, PSB, who shall forward the copy to the NTEU for review.
- All comments received from NTEU shall be coordinated by the Labor and Employee Relations Specialist, PSB, and then forwarded to the Leasing Specialist.
- 8.C.4. Market Survey** For lease renewals with a term greater than 1 year, the Leasing Specialist shall obtain a market survey as described in LPM Section 3.D.1., for headquarters and regional office leases and LPM Section 5.D., for field office and warehouse leases.
- 8.C.5. Pricing** The Leasing Specialist shall use the information from the market survey to determine the reasonableness of the rental rate as set forth in the Lease.
- 8.C.6. Negotiations with the Landlord** The Leasing Specialist shall negotiate the terms of the Amendment documenting the lease renewal with the Landlord. The purpose is not to make material changes to the Lease. However, the Leasing Specialist may address any nonperformance or other issues. The lease renewal should be considered an opportunity to renegotiate problematic terms and conditions.
- 8.C.7. Fitness and Integrity** If required by the Fitness and Integrity Policy, as it has been amended by this LPM, the Landlord shall submit a Representation and Certification Form(s) or, subject to LPM Section 2.D.21, an abbreviated Fitness and Integrity certification. If included with the original Lease, the Landlord shall resubmit these form(s) to confirm current compliance.

**8.C.8. Preparation of Lease Case**

The Leasing Specialist shall prepare a Lease Case for concurrence by the Program Office(s) and approval in accordance with the Delegations of Authority.

The Lease Case shall consist of:

- Documentation of Need;
- Background information;
- Reasonableness of rental rate;
- Financial information;
- Negotiation summary;
- Financial analysis;
- Confirmation that the Landlord meets the Fitness and Integrity Policy as it has been amended by the LPM; and
- Documentation of any deviations from policy.

**8.C.9. Amendment**

The lease renewal shall be documented by an Amendment 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.

**8.C.10. Review**

The Assistant Director, Leasing Section, or Regional Manager, DOA, or designee, shall review the Amendment.

**8.C.11. Execution Package**

Before the Associate Director, ACSB, or Regional Manager, DOA, as appropriate, signs and dates the Amendment, the Leasing Specialist shall prepare the execution package which consists of:

- 4 copies of the Amendment signed and dated by the Landlord;
- Legal opinion;
- Landlord Representations and Certifications Form(s) or abbreviated Fitness and Integrity certifications; and
- Approved Lease Case.

**8.C.12. FDIC Signature**

The Assistant Director, Leasing Section, shall present the execution package to the Associate Director, ACSB, for headquarters and regional office leases and the Leasing Specialist shall present the execution package to the Regional Manager, DOA, for field office and warehouse leases.

The Associate Director, ACSB, or Regional Manager, DOA, or designee, shall sign and date the Amendment.

**8.C.13. Distribution of Signed Amendment**

The Leasing Specialist shall distribute the signed and dated Amendment to:

- Official lease file (1);
- Legal Division (1); and
- The Landlord (2).

A copy of the Amendment shall be distributed to:

- Chief, Corporate Services Staff; and
- Labor and Employee Relations Specialist, PSB.

**8.C.14. Review by NTEU**

The Leasing Specialist shall forward a copy of the approved Amendment to the Labor and Employee Relations Specialist, PSB, who shall forward the copy to the NTEU for review.

All comments received from NTEU shall be coordinated by the Labor and Employee Relations Specialist, PSB, and then forwarded to the Leasing Specialist.

**8.C.15. SLIMS**

After signature by the Landlord and FDIC, the Leasing Specialist shall enter information from the Amendment into SLIMS. The Leasing Specialist shall generate a new Lease Fact Sheet and obtain the necessary signatures as defined in LPM Section 7.C.3.

**8.C.16. Filing**

The Leasing Specialist shall ensure that the original Amendment and a copy of the signed Lease Fact Sheet are placed in the official post-award lease file.

All comments received from the NTEU through the Labor and Employee Relations Specialist, PSB, shall be placed in the official lease file.

## 8.D. PROCEDURES FOR EXTENSIONS

- 8.D.1. Notification of Need** The notification of the need to extend the term of the Lease may be the result of:
- Program Office(s) mission need for a specific period of time;
  - Business need based on economics of market;
  - Delay in completion of new space; or
  - Disapproval of a Lease Case.
- 8.D.2. Documentation of Need** The Leasing Specialist shall prepare a Documentation of Need.
- Requirements for completion of the Documentation of Need are described in LPM Section 3.E. for headquarters and regional office leases and LPM Section 5.E. for field office and warehouse leases. The Documentation of Need may be in the form of a memorandum.
- 8.D.3. Review by NTEU** The Leasing Specialist shall forward a copy of the approved Documentation of Need to the Labor and Employee Relations Specialist, PSB, who shall forward the copy to the NTEU for review.
- All comments received from NTEU shall be coordinated by the Labor and Employee Relations Specialist, PSB, and then forwarded to the Leasing Specialist.
- 8.D.4. Market Survey** For extension with a term greater than 1 year, the Leasing Specialist shall obtain a market survey as described in LPM Section 3.D.1 for headquarters and regional office leases.
- 8.D.5. Pricing** If the option is not priced in the Lease, the Leasing Specialist shall negotiate with the Landlord a rental rate for the option period. The Leasing Specialist shall use the information from the market survey, if conducted, as a benchmark to determine reasonableness during negotiations.
- 8.D.6. Negotiations With Landlord** The Leasing Specialist shall negotiate the extension (time period and rental rate) with the Landlord. The purpose is not to renegotiate the terms and conditions of the Lease. However, the Leasing Specialist may address any nonperformance or problematic issues. In addition, other terms and conditions may be negotiated, such as change in rental structure (for example, gross rental rate instead of

operating expense passthrough, changes in services) as appropriate.

The negotiations should focus on a fixed-term or month-to-month extension, whichever is more favorable to FDIC. However, if holdover is economically advantageous, it may be the recommended course of action. If the Landlord invokes the holdover clause of the Lease, the Leasing Specialist shall immediately notify the Assistant Director, Leasing Section, or Regional Manager, DOA.

**8.D.7. Fitness and Integrity**

If required by the Fitness and Integrity Policy, as it has been amended by the LPM, the Landlord shall submit Representation and Certification Form(s) or the abbreviated Fitness and Integrity certification. If included with the original Lease, the Landlord shall resubmit these form(s) to confirm current compliance.

**8.D.8. Preparation of Lease Case**

The Leasing Specialist shall prepare a Lease Case for concurrence by the Program Office(s) and approval in accordance with the Delegations of Authority.

The Lease Case shall consist of:

- Background information;
- Financial information;
- Negotiation summary, including use of fixed term extension, month-to-month, or holdover (including notification and concurrence of all authorities);
- Financial analysis (including additional expenses such as additional rent, rent premiums, and penalties associated with changes in moving dates);
- Confirmation that the Landlord meets the Fitness and Integrity Policy, as it has been amended by the LPM;
- Legal opinion; and
- Documentation of any deviations from policy.

**8.D.9. Amendment**

The short term extension shall be documented by an Amendment 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.

- 8.D.10. Review** The Assistant Director, Leasing Section, or Regional Manager, DOA, or designee, shall review the Amendment as applicable.
- 8.D.11. Execution Package Copy** Before the Associate Director, ACSB, or Regional Manager, DOA, as appropriate, signs and dates the Amendment, the Leasing Specialist shall prepare the execution package which consists of:
- 4 copies of the Amendment signed and dated by the Landlord;
  - Legal opinion;
  - Landlord Representations and Certifications Form(s); and
  - Approved Lease Case.
- 8.D.12. FDIC Signature** The Assistant Director, Leasing Section, shall present the execution package to the Associate Director, ACSB, for headquarters and regional office leases and the Leasing Specialist shall present the execution package to the Regional Manager, DOA, for field office and warehouse leases.
- The Associate Director, ACSB, or Regional Manager, DOA, or designee, shall sign and date the Amendment.
- 8.D.13. Distribution of Signed Amendments** The Leasing Specialist shall distribute the signed and dated Amendment to:
- Official lease file (1);
  - Legal Division (1); and
  - The Landlord (2).
- A copy of the Amendment shall be distributed to:
- Chief, Corporate Services Staff; and
  - Labor Relations.
- 8.D.14. Review by NTEU** The Leasing Specialist shall forward a copy of the approved Amendment to the Labor and Employee Relations Specialist, PSB, who shall forward the copy to the NTEU for review.
- All comments received from NTEU shall be coordinated by the Labor and Employee Relations Specialist, PSB, and then forwarded to the Leasing Specialist.
- 8.D.15. SLIMS** After signature by the Landlord and FDIC, the Leasing

Specialist shall enter information from the Amendment into SLIMS. The Leasing Specialist shall generate a new Lease Fact Sheet from SLIMS and obtain the necessary signatures, as defined in LPM Section 7.C.3.

**8.D.16. Filing**

The Leasing Specialist shall ensure that the original Amendment and a copy of the signed Lease Fact Sheet are placed in the official lease file.

All comments received from the NTEU through the Labor and Employee Relations Specialist, PSB, shall be placed in the official lease file.

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