


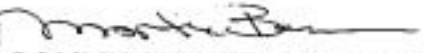


MAR 19 2007

RSL-2007-04

MEMORANDUM FOR ASSISTANT REGIONAL ADMINISTRATORS, PBS
REGIONAL REALTY SERVICES OFFICERS

THRU: ANTHONY E. COSTA 
DEPUTY COMMISSIONER - PD

FROM: MARTHA J. BENSON 
ACTING ASSISTANT COMMISSIONER FOR OFFICE OF
NATIONAL CUSTOMER SERVICES MANAGEMENT - PQ

SUBJECT: Price Reasonableness Determinations and
Notices to Proceed for Tenant Improvements
Supplemental Lease Agreement for Excess TIs

1. Purpose. This Realty Services Letter (RSL) issues mandatory operating procedures for price reasonableness determinations (PNMs) and notices to proceed (NTPs) for use by GSA associates and support contractors.
2. Background.
 - a. In 2005, GSA's Office of Inspector General (IG) conducted an audit of leases to assess whether PBS effectively manages the tenant improvement (TI) buildout process in leased space. Their findings are reported in the Review of PBS's Tenant Improvement Process Audit A050063.
 - b. PBS agreed with the findings and committed to a multi-step corrective action plan to better manage the TI process in leases. This RSL implements the following action items:
 - i. Recommendation 001, Step 1A2
Create a task and letter template for eLease that addresses a formal decision and/or documentation process, similar to that required by the FAR, regarding pre-and post-negotiation documentation.
 - ii. Recommendation 001, Step 1A3
Create a task and develop a letter template to capture the notice to proceed in eLease. Need to make NTP subject to notification and approval by the contracting officer.

- c. In addition to the IG audit findings, in 2006 the Solutions Development Division conducted peer reviews of 120 leases across all regions. Of those leases reviewed, 73 percent did not contain evidence of a competitive bid process or cost and pricing data.
- d. A related area of concern raised by the audit concerned our ability to accurately reflect and account for overall TI costs. Since this is an issue related to the TI cost proposal and NTP, we have addressed the issue by providing a sample supplemental lease agreement (SLA) that orders TIs that exceed the TI allowance in the lease. Instructions and guidance on tracking project reimbursable work authorization (RWA) costs will be addressed in a separate RSL.
- e. Many of the items in the audit are interrelated; however, certain templates represent discrete steps in the TI process. So that users can more easily identify which RSL addresses a particular subject and contains a particular template, the RSLs are being issued concurrently, and they address the following topics:

RSL 2007-03	Tenant Improvements Schedule and Submittals Revisions in the Solicitation for Offers
RSL 2007-04	Tenant Improvements Price Negotiation Memorandum, Notice to Proceed, and Supplemental Lease Agreement to Order Excess TIs
RSL 2007-05	Tenant Improvements Costs/Reimbursable Work Authorization Tracker and Agency Concurrence for RWA Expenditure
RSL 2007-06	Tenant Improvements Project Management Support

- 3. Effective Date/Expiration Date. This RSL and instructions are effective March 31, 2007, and will expire 12 months from the date of issuance unless modified, cancelled, or reissued earlier.
- 4. Cancellation. None
- 5. Applicability. This RSL applies to all real property leasing activities.
- 6. Instructions/Procedures. The guidelines in this RSL should be considered in all new and current lease projects with SFOs using tenant improvements allowances for which a lease award has not yet been made by the contracting officer. See Attachment 1 for further guidance.

Attachments

- 1 Mandatory Operating Procedures for RSL 2007-04
- 2 Tenant Improvement Price Negotiation Memorandum Template
- 3 Notice to Proceed Template
- 4 Supplemental Lease Agreement for Excess TIs Template