

LEASE MANAGEMENT

- 1. REASON FOR ISSUE:** This directive articulates VA's lease policy and provides Department-level guidance for planning, acquiring, managing, and disposing of leased real property.
- 2. SUMMARY OF CONTENTS:** This directive establishes a uniform, Department-wide framework for the life-cycle management of VA's leasehold interests. The directive outlines the parameters by which Administrations and staff offices are to structure their lease-related activities to ensure VA leases, whether direct or GSA-assigned, satisfy the mission requirements and performance goals of the Department and are supportive of the Secretary's priorities.
- 3. RESPONSIBLE OFFICE:** The Office of Management (004) is responsible for the contents of this directive.
- 4. RELATED DIRECTIVE:** VA Directive 7815, Acquisition of Real Property by Lease and by Assignment from General Services Administration (GSA).
- 5. RELATED HANDBOOK:** VA Handbook 7816, Lease Management Procedures.
- 6. RESCISSIONS:** None.

CERTIFIED BY:

**BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS**

/s/
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Acting Assistant Secretary for
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Distribution: RPC: 0735, 0005
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VA LEASE MANAGEMENT

1. PURPOSE. This directive articulates VA's lease policy and provides Department-wide guidance for planning, acquiring, managing, and disposing of leased real property. Program-specific guidance comprises one of the five key components of VA's corporate capital asset policy. This policy addresses the need to establish a uniform, Department-wide framework for the life-cycle management of VA's leasehold interests. The directive outlines the parameters by which Administrations and staff offices are to structure their lease-related activities to ensure VA leases, whether direct or GSA-assigned, satisfy the mission requirements and performance goals of the Department and are supportive of the Secretary's priorities. Lease agreements need to not only support the achievement of VA's mission, but also be negotiated and managed in a prudent and fiscally sound manner to ensure VA obtains the best value for its scarce resources.

2. POLICY

a. This directive outlines the parameters by which Administrations and staff offices are to structure their lease-related activities to ensure VA leases, whether direct or GSA-assigned, satisfy the mission requirements and performance goals of the Department and are supportive of the Secretary's priorities. Lease agreements need to not only support the achievement of VA's mission, but also be negotiated and managed in a prudent and fiscally sound manner to ensure VA obtains the best value for its scarce resources.

b. Laws, regulations, business practices and procedures vary from one asset category to another. Congress has directed the Office of Asset Enterprise Management (OAEM) to catalog and evaluate all current leases held by the Department. Also, OAEM is directed to create a policy for all VA leasing activities and communicate that policy throughout the Department (refer to Committee on Veterans Affairs House Report 107-159).

c. VA has significant resources invested in leased space across the nation. VA's lease portfolio includes direct leases and GSA space assignments. Effective management of this lease portfolio requires that the Department implement a comprehensive and consistent approach to satisfying space needs. For example, an underutilized capital asset, while under the operational control of a given administration or staff office, should be viewed as a VA asset that can be leveraged to satisfy space requirements throughout the Department.

d. It is not the intent of this policy to address the detailed transaction-level procedures that are necessary to operationally acquire, manage, and dispose of leasehold interests. It is the responsibility of each administration and staff office to provide this operational guidance, ensuring procedures are consistent with Department policies. In addition, this directive is not intended to provide policy or guidance for VA's enhanced-use leasing authority or use of space agreements pursuant to the expanded sharing authority.

3. RESPONSIBILITIES

a. **VA Strategic Management Council (SMC).** The SMC is the decision-making body for the capital planning process and is chaired by the Deputy Secretary. The SMC establishes

capital policy and makes decisions on major capital investments, including providing guidance about the percentage of funding that should be invested in capital assets each fiscal year in support of the Secretary's priorities.

b. VA Capital Investment Panel (CIP) and CIP Working Group (CIPWG). The CIP provides analytical support to the SMC and provides input on policy/guidance development. The CIPWG ensures Departmental capital asset policies and procedures are appropriately vetted within the Department. The CIPWG reviews proposed capital asset policies and procedures, and provides input to the CIP.

c. Assistant Secretary for Management. The Assistant Secretary for Management serves on the Strategic Management Council, participating in setting the policy direction of VA's capital asset management activities and ensuring the fiscal integrity of VA's portfolio of assets.

d. Under Secretaries, Assistant Secretaries, and Other Key Officials.

(1) Participate in setting Departmental policy direction and ensure that the policies set forth in this directive are implemented within their respective organizations and field activities;

(2) The Administrations, the Office of Information and Technology, and the Office of Human Resources and Administration are required to have a focal point or centralized capital asset management function within their organization to complement and interface with OAEM. This focal point ensures conformity to Department policies and guidelines and maintains operational responsibility for asset management activities.

e. Capital Asset Focal Points. Focal points are responsible for working closely with OAEM to ensure capital assets are managed in a strategic, fiscally sound manner throughout the Department. Focal points bridge the oversight responsibilities of OAEM with the operational responsibilities for capital assets within the Administrations and staff offices. Specifically, focal points are responsible for:

(1) Ensuring conformity to Department policies and procedures;

(2) Instituting procedures for investments both above and below the threshold;

(3) Coordinating submission of a long-term Capital Asset Plan;

(4) Contributing to, and participating in, maintenance of VA's portfolio of existing assets;
and

(5) Maintaining operational responsibility for asset management activities.

f. Office of Asset Enterprise Management (OAEM). OAEM is responsible for providing oversight in the capital asset arena to ensure a consistent and cohesive Department approach to capital asset management.

g. **Office of Facilities Management (FM).** FM provides guidance for the operational acquisition and management of VA leasehold interests in real property for VHA and VBA. The Real Property Service (183C) within FM is the major operational point of contact pertaining to all leasing of real property.

h. **Office of General Counsel (OGC).** Leases acquired using the simplified lease acquisition procedures must be reviewed by regional counsel prior to issuance. All leases negotiated by VHA's Real Property Service will be reviewed by General Counsel (025).

i. **VHA Capital Asset Management Offices (CAMO).** The CAMO provides corporate (VISN) leadership, directing activities relating to the planning, acquisition, management, and disposal of all capital assets, including the management of all VISN leases.

4. REFERENCES

- a. Basic VA Lease Authority (38 U.S.C. § 8103).
- b. Federal Acquisition Regulation (<http://www.arnet.gov/far>).
- c. Federal Acquisition Streamlining Act of 1994.
- d. Federal Property and Administrative Services Act, as amended (40 U.S.C. § 471 et seq.).
- e. Federal Property Management Regulations, 41 CFR chapter 101, part 101-18, Acquisition of Real Property.
- f. General Services Administration Regulations (GSAR) 48 CFR chapter 5.
- g. General Service Administration's *General Reference Guide for Real Property Policy, April 1998*, <http://policyworks.gov/org/main/mp/library/policydocs/refguide.pdf>.
- h. Government Performance and Results Act of 1993.
- i. GSA delegated lease authority (see item g).
- j. <http://vaww.va.gov/budget/capital>
- k. <http://www.va.gov/facmgt>
- l. Office of Management and Budget Capital Programming Guide.
- m. Office of Management and Budget Circular A-11.
- n. VA Acquisition Regulation (<http://vaww.va.gov/oa&mm/vaar/vaar801.htm>).
- o. VA Capital Investment Methodology Guide.

p. VA Directive 7815, Acquisition of Real Property by Lease and by Assignment from General Services Administration (GSA).

5. DEFINITIONS

a. **Capital Lease.** Any lease, other than a lease-purchase, that does not meet the criteria of an operating lease.¹

b. **Lease.** A conveyance to the Government of the right of exclusive possession of real property for a definite period of time by a landlord.

c. **Lease Extension.** Extension of the term of a lease to provide for continued occupancy on a short-term basis.

d. **Lease Renewal (Options).** 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.

e. **Operating Lease.** A lease that meets all of the six criteria listed below:

(1) Ownership of the asset remains with the lessor during the term of the lease and is not transferred to the Government at or shortly after the end of the lease term;

(2) The lease does not contain a bargain-price purchase option;

(3) The lease term does not exceed 75% of the estimated economic life of the asset;

(4) The present value of the minimum lease payments over the life of the lease does not exceed 90% of the fair market value (based on current market appraisals) at the beginning of the lease term;

(5) The asset is a general-purpose asset rather than being for a special purpose of the Government and is not built to the unique specification of the Government as lessee; and

(6) There is a private sector market for the asset.

f. **Succeeding Lease.** A lease for continued occupancy of the current space, where a cost benefit analysis concludes that an award to other than the present lessor would result in substantial relocation and duplication costs, which would not be recovered.

g. **Superceding Lease.** Replaces a prior lease before it expires and contains new terms and conditions.

¹ Refer to OMB Circular A-11, Appendix B for additional information about scoring lease-purchases and leases of capital assets. OMB provides specific guidance about how to calculate the term of the lease and the value of the minimum lease payments. <http://www.whitehouse.gov/omb/circulars/a11/App-B.pdf>