

## LEASE MANAGEMENT PROCEDURES

- 1. REASON FOR ISSUE:** This handbook establishes procedures for management of VA's leases.
- 2. SUMMARY OF CONTENTS:** This handbook outlines the procedures 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 handbook.
- 4. RELATED DIRECTIVE:** VA Directive 7816, Lease Management.
- 5. RESCISSIONS:** None.

**CERTIFIED BY:**

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

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**LEASE MANAGEMENT PROCEDURES**

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## LEASE MANAGEMENT PROCEDURES

**1. GENERAL LEASE MANAGEMENT PROCEDURES.** In order to establish a uniform, Department-wide framework for the life-cycle management of VA's leasehold interests, Administrations and staff offices will:

a. Comply with federal laws and regulations concerning the planning, budgeting, acquisition, management, and disposition of leases.

b. Ensure there is a complete and current portfolio of all of VA's leasehold interests.

(1) Administrations and staff offices will provide and update data about their lease portfolio for all of their leasehold interests, in accordance with Office of Asset Enterprise Management (OAEM) guidance for portfolio management.

(2) OAEM will issue separate policy and procedural guidance regarding lease portfolio requirements.

c. Maximize VA's flexibility to take appropriate action to address strategic capital asset realignment needs, currently being assessed by the Capital Asset Realignment for Enhanced Services (CARES) program. Until CARES implementation plans are approved by the Secretary:

(1) Limit all new lease agreements to a maximum fixed-term of 3 to 5 years with no more than five 1-year renewable options (for a maximum 10 years total).

(2) Terms for extensions or renewals of existing leases should be of the minimum duration needed to satisfy an operational requirement and be limited to a maximum of 5 years.

(3) Waivers to this policy will be considered on a case-by-case basis.

(a) OAEM will review and approve exception requests to the lease term limits or recommend approval to the Secretary for leases over \$600,000, as to whether a lease should be forwarded to Congress for approval.

(b) A written request for a waiver to the lease term limit policy is to be submitted to the Director, OAEM. Justification is to be provided as to why it is necessary to enter into a lease with terms that exceed the stated limits in this policy.

(c) OAEM may opt to delegate the approval of waivers to the lease term limit policy for leases that are less than \$300,000.

d. Ensure staff is competent in the lease-related activities for which they have responsibility by providing adequate training and support. Administrations and staff offices will provide staff involved in lease-related activities sufficient training (formal and on-the-job), resulting in certification for contracting officers. VHA Network directors should ensure there is

at least one lead realty specialist within each Network who can be called upon to provide consultative assistance as necessary. Ideally, each Network will have specialized, trained staff within their Capital Asset Management Office that is well versed and experienced in all VA capital asset policy and procedures. VBA lease management is centralized at VBA Central Office.

e. Administrations and staff offices must ensure, and be able to demonstrate, that real property capital asset policies, standards, and business practices exist at the Administration and staff office level to ensure compliance with this policy and other existing VA lease policy.

**2. PLANNING.** In order to establish consistent planning of VA's leasehold interests, Administrations and staff offices will:

a. Work towards collocation of facilities, where feasible, with VA Administrations and staff offices and/or other federal, state, or local partners to provide a one-stop approach to providing services and benefits to veterans and their families.

b. Maximize use of existing VA-controlled real property when determining how to meet the space needs of VA.

(1) Prior to initiating action to acquire additional space, Administrations and staff offices will ensure they are in compliance with their organization's existing space program criteria and have explored options to maximize use of existing underutilized VA space.

(2) Administrations and staff offices will complete a "needs justification document" (see appendix A) that is subject to review and approval by the appropriate authority, in accordance with existing guidance that applies for the threshold level of the initiative, prior to initiation of the solicitation process (refer to VA Directive 7815 for thresholds and review and approval requirements).

(3) The "needs justification review" will assist the approving authority to ensure the identified requirement:

(a) Is aligned with VA strategic goals;

(b) Supports the Secretary's/President's priorities; and

(c) Supports the operational needs of the administration or staff office to achieve their mission.

c. When an administration or staff office has validated their need for space, an evaluation of all available alternatives for resolving their space needs will be completed by following the VA Directive 4086, Investment Matrix, to include consideration of the following alternatives:

(1) Existing VA-owned (e.g., utilizing available space within requesting administration or from another administration);

(2) Existing underutilized VA-leased space;

- (3) Enhanced-use lease;
- (4) Other Governmental leased or owned space (e.g., DOD facilities);
- (5) GSA lease assignment;
- (6) Right to use of land provided to VA by local economic development agency;
- (7) Buy; and
- (8) Build.

d. The merits of each alternative should be assessed by reviewing the following for each viable alternative:

- (1) Satisfaction of requirements;
- (2) Support for VA's strategic goals and the Secretary's priorities;
- (3) Risk and mitigation plan;
- (4) Life-cycle costs;
- (5) Quantifiable benefits; and
- (6) Qualitative benefits.

e. The level of effort required for the alternatives analysis should be relative to the potential impact of the project.

f. Plan for and take appropriate action to meet space requirements in a timely manner.

(1) OAEM will issue separate guidance detailing any new requirements for the submission of annual operating and/or long-term lease plans. Short and long-term plan requirements may be combined to minimize reporting requirements.

(2) OAEM will work collaboratively with Administrations and staff offices in the development of new requirements for capital asset-related planning documents.

**3. ACQUISITION.** In order to establish consistent acquisition procedures for VA's leasehold interests, Administrations and staff offices will take into account the following requirements:

a. Congressional Lease Requirements:

- (1) Ensure compliance with title 38 U.S.C. section 8104:

(a) There must be statutory authority for any new major medical facility lease (lease for space for use as a new medical facility with an average annual rental that exceeds \$600,000) prior to obligation or expending funds.

(b) Whenever the President or the Secretary submits to Congress a request for the funding of a new major medical facility lease, the Secretary shall submit to each committee, on the same day, a prospectus of the proposed medical facility.

(2) Ensure that, prior to execution, Congress has been notified of and has approved any new lease of real property that exceeds \$300,000 in estimated annual rent, in accordance with public law (note: the number of the applicable public law changes from fiscal year to fiscal year).

(a) The Secretary must submit, in writing, a report to the Committees on Appropriations of the Congress; and

(b) Congress must approve the lease within 30 days.

b. Administrations and staff offices should refer to, and comply with, existing GSA requirements and existing VA guidance concerning lease acquisition. In any instance where existing VA guidance is in conflict with a policy stated in this directive, policy established in this directive supersedes the existing non-conforming VA guidance.

(1) VA will adhere to GSA requirements when procuring a lease through GSA.

(2) A waiver request is to be submitted in writing to OAEM when duration of a GSA lease is anticipated to be in conflict with VA policy, as established by this directive.

c. Negotiation of lease terms and conditions should involve a “what-if” analysis to determine the effect on net present value (NPV) life cycle costs in order to evaluate the merits of reasonable options. This type of analysis can be performed using the “solver” or “goal-seeking” tool available in software applications such as Microsoft Excel.

(1) Negotiate lease terms and conditions for VA direct leases to obtain the best value for VA, balanced against projected strategic needs; and

(2) Employ the services of a real estate broker (tenant representative) and/or financial advisor to take advantage of market knowledge and negotiation expertise when in the best interest of VA.

d. Department-wide Review and Approval:

(1) VA Directive 7815 outlines the approval authorities for leasing actions. Appendix B provides additional reference material.

(2) OAEM will review and provide certification of Administrations' and staff offices' above- and below-threshold lease policies, standards, and business practices.

**4. MANAGEMENT.** In order to establish consistent ongoing management of VA's leasehold interests, Administrations and staff offices will:

a. Ensure accurate billing to VA and timely payment to lessors through effective management controls.

b. Monitor critical dates and take timely and appropriate action to resolicit, execute lease options, or enter into a new or succeeding lease, as appropriate.

c. Conduct management reviews of existing leases on a periodic basis. Administrations and staff offices will implement internal processes to ensure management reviews are completed for all leases on no less than a 3-year cycle. These reviews will include:

(1) An evaluation of the performance of a lease. Contracting officers will take appropriate action, such as using cure letters, to improve performance deficiencies, when feasible.

(2) A determination if the existing amount of leased space is still required. Administrations and staff offices should refer to workload projections and confer with planning staff when making this determination.

(3) A determination that the current lease is in the best interest of VA. Administrations and staff offices should assess the merits of renegotiation of the terms and conditions – or nullification – of a lease, if in the best interest of VA.

d. Administrations and staff offices need to be cognizant of the timelines for acquiring or renewing a lease and ensure appropriate actions are taken in accordance with the timeline milestones to maximize available options and VA's negotiating leverage. Refer to appendix B for examples of a typical timeline for prospectus-level leases, leases costing between \$300,000 and \$600,000, and leases below \$300,000.

e. Administrations and staff offices will take timely and appropriate action to exercise lease options after assessing that it is in the best interest of VA to exercise the option.

f. In order to provide reasonable assurance that leases are being effectively and appropriately managed across the Department, OAEM requires that, as part of the Federal Manager's Financial Integrity Act (FMFIA) management control assessment process, Administration and staff office capital asset review and approval authorities certify on an annual basis that the necessary policies, standards, and practices are in place and are being appropriately exercised. If weaknesses or areas of concern exist, a corrective action plan will be developed and submitted to OAEM.

g. Realty specialists should periodically review VA's Web site (<http://vaww.va.gov/budget/capital>) for current policy, guidance, and other lease-related material.



### Space Needs Justification Document

1. **How will acquisition of this space be consistent with the Secretary's priorities, VA's strategic goals, and the operational plans of your organization?** (Brief response – no more than five bulleted statements)
  
2. **How have you maximized the use of underutilized or vacant VA-space?** If not, explain.
  
3. **Where will the leased property be located and what is the proximity to other VA or federal facilities?** (City, State – identify general area of a large metropolitan area)
  
4. **Why is the space required (purpose)?** (i.e., what mission-related service will be provided, is this a new or expanded need for space and why -- no more than five bulleted statements)
  
5. **Who will occupy the space?** (e.g., medical staff, executives, typical staffing for regional office, etc.)
  
6. **What are the general requirements** (e.g., how much space, any special needs, etc. – no more than 5 bulleted statements)
  
7. **When is the space needed?** Provide a basic timeline showing key milestones that must be met to ensure space can be acquired and occupied timely.
  
8. **How much will it cost?** Provide the estimated annual and life-cycle cost. Identify what costs are included in the calculation.



**Lease Categories and Timelines**

**Categories of Leases**

1. Lease can be acquired using **simplified lease acquisition** procedures if:
  - a. Average annual lease cost is less than \$100,000
2. Lease is within **delegated authority of Network Director** (VHA)
  - a. Less than \$300,000
  - b. Less than 10,000 usf
  - c. Less than 10-year term
  - d. Less than 100 parking spaces
3. Lease is **not within delegated authority** and **requires VACO waiver**:
  - a. Greater than 10-year term
  - b. Greater than 10,000 usf
  - c. Greater than 100 parking spaces

**Timelines for leases with annual costs less than \$300,000 per year**

Assumptions:

1. The lease is not a capital lease.
2. All funds for lease payments will be available for the entire term of the lease.
3. All costs for leasehold improvements or lump sum build-out costs are within NRM or minor construction program limitations and require no specific appropriation.
4. Current policies and review/submission requirements remain in place.

**Simplified Lease Acquisition Process (SLAP)**

<u>Step</u>	<u>Days</u>
1. Identify Need	0
2. Lease Management Team	0
3. Identify General Requirement	2
4. Identify Space Options	1
5. Cost Benefit Analysis	3
6. Specify Lease Requirements	4

7. Market Survey	5
8. Finalize and Issue Solicitation for Offer	2
9. Obtain and Evaluate Offers	5
10. Negotiate	2
11. Best and Final Offer	1
12. Appraisal	2
13. Award	1
14. Build out / Improve	1-3 Months
15. Move In	0
<b>Total time</b>	<b>1 month - 6 months</b>

Notes for Simplified Lease Process:

1. Assumes Lease Management Team is already established or would involve only engineer, Office of Acquisition & Materiel Management, program office.
2. Space requirements are "standard" and relatively simple to determine. Minimal special requirements and simple layout.
3. Assumes limited availability of options or other government space.
4. Requires no formal advertisement and contact with minimum of three real estate companies.
5. Available properties that meet minimum requirements.
6. No formal Solicitation for Offer required for SLAP.
7. Assumes no formal appraisal of Fair Market Value (FMV).
8. SLAP assumes minimal renovation or build out of existing space that could be completed in 1-3 months.

**Delegated Lease Acquisition Process (Leases under \$300,000)**

<b><u>Step</u></b>	<b><u>Days</u></b>
Identify Need	0
Lease Management Team	3
Identify General Requirements	5
Identify Space Opts	5
Cost Benefit Analysis	5
Specific Lease Requirements	10
Advertise	14
Market Survey	7-10
Finalize and issue Solicitation for Offer	12
Obtain and Evaluate Offers	15-60
Negotiate	5-15
Best and Final Offer	1-15

Appraisal	10-30
Award	1
<b>Total Procurement Time</b>	<b>4 - 7 months</b>
Build out / improve	1-9 months
Move In	0
<b>Total Build out</b>	<b>1-9 months</b>
<b>Total Time</b>	<b>5 months - 16 Months</b>

Notes for Delegated Lease Process:

1. Assumes more complex lease acquisition.
2. Requirements or term of lease open to more options.
3. Lease requirements are more complex or require more specialized/unique requirements -- delineated area is large or numerous available properties to survey.
4. Formal solicitation for offers required.
5. More offers to evaluate to identify a competitive range.
6. More complex negotiations with more offerors.
7. A (an) FMV appraisal of property is required.
8. Renovation of existing space, build to suit, or special purpose construction requirements 1-9 months.

**Delegated Lease Acquisition Process Requiring VACO Delegation Memo (Leases over \$300,000 and less than \$600,000)**

<u>Step</u>	<u>Days</u>
Identify Need	0
Lease Management Team	3
Identify General Requirements	5
Identify Space Opts	5
Cost Benefit Analysis	5
Specific Lease Requirements	10
VACO approval & assignment of delegation	2 – 6 wks
Advertise	14
Market Survey	7-10
Finalize and issue Solicitation for Offer	12
Obtain and Evaluate Offers	15-60
Negotiate	5-15
Best and Final Offer	1-15
Appraisal	10-30
Award	1
<b>Total Procurement Time</b>	<b>5 months - 9 months</b>

Build out / improve	1-9 months
Move In	0
<b>Total Build out</b>	<b>1-9 months</b>
<b>Total Time</b>	<b>5 months - 16 Months</b>

Note: Impact on overall schedule should be minimal if VACO approval is run concurrently with other activities in the process

<u>Steps</u>	<u>Months</u>
Definition of Leasing Needs	6
Capital Asset Application Process	2
Lease Acquisition Process (completed at least 1-2 budget years before the time the space is needed)	8-9
Design/Construction Process	12-24
Activation/Occupancy (Space Needed)	1-2
<b>Total Time</b>	<b>29-43 Months</b>

**Time line for leases with annual costs between \$300k- \$600k per year**

<u>Steps</u>	<u>Months</u>
Definition of Leasing Needs	6
Above-Threshold Capital Asset Application Process*	20
Lease Acquisition Process (completed at least 1-2 budget years before the time the space is needed)	8-9
Design/Construction Process	12-24
Activation/Occupancy (Space Needed)	1-2
<b>Total Time for Prospectus-level Lease</b>	<b>47-61 Months</b>

***\*Capital Asset Application Process Milestones***

April/May	Strategic Plan Call
October	Strategic Plan Receipt
Nov/Mar	Application Refinement
Feb/Mar	Departmental Budget Call
June/July	Scoring & Budget Selection
August	Budget Documents
September	Submission to OMB
Nov/Dec	OMB Passback & VA Appeal
January	Submission to Congress
Feb/Sept	Congressional Hearings
September	Appropriation
<b>Total:</b>	<b>20 Months</b>