USDA Business Workflow

U.S. Department of Agriculture

Real Property Business Workflow

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Final

Revision Log

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Table of Contents

Revision Log .... **i**

1 Introduction **1-1**

1.1 Executive Summary 1-1

2 GSA Assignments **2-1**

2.1 GSA Assignment Overview 2-1

2.2 Department-Level Roles and Responsibilities 2-2

2.2.1 Role of the Office of Procurement and Property Management (OPPM) 2-2

2.2.2 Role of the USDA Office of Operations (OO) 2-2

2.3 Other Roles and Responsibilities 2-3

2.4 Planning for Space 2-4

2.5 Initial Steps for Acquiring GSA-Assigned Space 2-4

2.6 GSA Assignment Definitions and Background 2-4

2.6.1 GSA Assignment Types 2-4

2.6.2 Occupancy Agreement (OA) 2-5

2.7 Acquisition Methods Employed by the GSA Realty Specialist 2-6

2.7.1 Acquiring Space in the GSA Inventory 2-6

2.7.2 Acquiring Space by Leasing From a Private Lessor 2-7

2.8 Building Space for USDA Agencies 2-8

2.9 USDA Agency GSA Assignment Utilization 2-10

2.9.1 Property Management 2-10

2.9.2 OA Amendments 2-11

2.9.3 Rental Cost Adjustments 2-11

2.9.4 Determine Future Occupancy 2-13

2.9.5 Disputes 2-15

2.10 USDA Agency GSA Assignment Disposal 2-15
2.10.1 USDA Agency Notification 2-15
2.10.2 Relocation 2-16

3 Leases 3-1

3.1 USDA Agency Leasing Authority Overview 3-2

3.2 Department and Agency Roles and Responsibilities 3-3

3.3 Agency-level Real Property Personnel, Roles and Responsibilities 3-4

3.4 Develop Space Requirements 3-5
3.4.1 Develop an Acquisition Plan 3-5

3.5 Advertise 3-5

3.6 Conduct Market Survey 3-6
3.6.1 Identify Potential Locations 3-6
3.6.2 Perform Inspections of Space 3-7
3.6.3 Record Market Survey Results 3-7
3.6.4 Analyze Advertising and Market Survey Results 3-7
3.6.5 Acquisition Procedures 3-8

3.7 Solicitation for Offers 3-8
3.7.1 Standard Forms 3-9
3.7.2 Where to Go For Forms 3-9
3.7.3 Other SFO Requirements 3-9
3.7.4 Solicit Alternate Offers 3-9
3.7.5 Evaluate Offers 3-10

3.8 Negotiate Based on Solicitation 3-11
3.8.1 Prepare for Negotiations 3-11
3.8.2 Perform Negotiations 3-12
3.8.3 Termination of Negotiations 3-12
3.8.4 Document the Results 3-12
3.8.5 Amend Solicitation or Issue New Solicitation for Offers 3-13

3.9 Award Lease 3-13
3.9.1 Approve Layout 3-13

3.9.2 Receive Approval to Make Award ... 3-14
3.9.3 Notify Offerors ... 3-14
3.9.4 Prepare and Issue Lease ... 3-14
3.9.5 Correcting Mistakes after Award and/or Signing of Lease ... 3-15
3.9.6 Publicizing the Award ... 3-16

3.10 Manage Buildout, Inspection and Occupation ... 3-16
3.10.1 Manage Buildout ... 3-16
3.10.2 Prepare for Acceptance Inspection ... 3-16
3.10.3 Perform the Acceptance Inspection ... 3-17

3.11 Manage and Administer the Lease ... 3-18
3.11.1 Lease and Payment Commencement ... 3-18
3.11.2 Rental Cost Adjustments ... 3-18
3.11.3 Rental Deductions ... 3-20
3.11.4 Change of Ownership ... 3-21
3.11.5 Assignment of Rents ... 3-21
3.11.6 Disputes ... 3-21
3.11.7 Determine Future Occupancy ... 3-21
3.11.8 Advertise and Conduct a Market Survey ... 3-22
3.11.9 Analyze Market Survey Results ... 3-23
3.11.10 Perform Cost/Benefit Analysis ... 3-23
3.11.11 Whether or Not to Pursue the Competitive Process ... 3-23
3.11.12 Final Decision ... 3-24
3.11.13 Future Options with the Current Lessor ... 3-24
3.11.14 Other Leasing Options with the Current Lessor ... 3-24

3.12 Disposal ... 3-27
3.12.1 Termination ... 3-27

4 Owned Property ... 4-1

4.1 Overview of USDA-Owned Real Property ... 4-2

4.2 Department and Agency Roles and Responsibilities ... 4-2

4.3 Real Property Roles and Responsibilities ... 4-3

4.4 Plan to Acquire Real Property ... 4-3

4.4.1 Conduct Feasibility Study 4-3
4.4.2 Approve New Construction Project 4-4
4.4.3 Fund New Construction Project 4-4

4.5 Acquire Design and Construction Services 4-4
4.5.1 Select a Facilities Site 4-4
4.5.2 Acquire Site for New Construction 4-5
4.5.3 Design and Bid.. 4-7
4.5.4 Develop Program of Requirements 4-8
4.5.5 Perform and Monitor Construction 4-8
4.5.6 Close out Construction 4-9

4.6 Purchase Land, Buildings and Other Structures 4-9

4.7 Receive Donated Real Property 4-10

4.8 Receive Transferred Land, Buildings and Other Structures 4-11

4.9 Exchange Land, Buildings and Other Structures 4-12

4.10 Service, Record and Evaluate Real Property 4-13
4.10.1 Operate Buildings.. 4-13
4.10.2 Maintain Land and Structure Information 4-17
4.10.3 Perform Utilization Survey 4-18

4.11 Disposal of USDA Agency Real Property... 4-18
4.11.1 Disposal by Transfer 4-19
4.11.2 Disposal by Exchange 4-19
4.11.3 Disposal by Donation 4-20
4.11.4 Disposal by Sale... 4-20

1 Introduction

In Fiscal Year 2002, the United States Department of Agriculture (USDA) reported over $8 billion in assets. As the second largest landholder in the Federal government, USDA owns approximately 192 million acres of land and occupies approximately 51 million square feet of space (owned and leased).

The purpose of this document is to outline USDA business practices for the planning, acquisition, management, and disposal of USDA real property. This document is not intended to replace or supersede any statutes, regulations or procedures governing the business processes associated with USDA real property. Any discrepancy that may appear between the contents of this document and any applicable statute or regulation should be resolved in favor of the latter. This document does not constitute any new authority.

1.1 Executive Summary

This document discusses the following types of real property:

- **GSA Assignments—**USDA-occupied space, obtained by using General Services Administration (GSA) real property management services.
- **Leased Property—**USDA-leased space, obtained by leasing property using GSA-delegated authority.
- **USDA-Owned Property—**Space owned and managed by USDA.

USDA agencies must comply with the following general requirements while acquiring space:

- Agriculture Property Management Regulation (AGPMR) and the Federal Management Regulations (FMR) during the pursuit of property.
- Departmental Regulation 1620-2, USDA Space Management Policy, to develop a plan for any and all future space actions.
- Competition in Contracting Act of 1984 (CICA). Several phases of the real property business workflow must be conducted in a manner that accomplishes the goal of attaining “full and open” competition, to the fullest extent possible, during the process of space acquisition.

In addition, it is the policy of USDA to efficiently and effectively manage USDA occupied space in order to achieve the most customer friendly facilities. In order to accomplish this, USDA is committed to greater management control and accountability at all levels for real property assets.

When two or more field office agency locations are in the same community or geographical area, collocation will occur whenever practical and to the extent consistent with efficient, effective and improved service. When two or more USDA agencies share a common field office, the agencies will jointly use office space, equipment, office supplies and services associated with that field office. This is consistent with the Department of Agriculture Reorganization Act of 1994 which directs the Secretary to save money through sharing resources and personnel. Agencies should take advantage of all space actions that increase participation in collocation.

2 GSA Assignments

This chapter describes the business workflow for GSA Assignments for the USDA.

This chapter contains an overview of the authority, roles and responsibilities regarding GSA Assignments in the following sections:

- Section 2.1—GSA Assignment Overview
- Section 2.2—Department-Level Roles and Responsibilities
- Section 2.3—Other Roles and Responsibilities

The following four areas Planning, Acquisition, Utilization and Disposal define the real property business workflow for GSA Assignments:

Planning—USDA agency activities that precede attempts to acquire space.

- Section 2.4—Planning for Space

Acquisition—The process of obtaining GSA-assigned space and the preparation of the property for USDA agency occupation.

- Section 2.5—Initial Steps for Acquiring GSA-assigned Space
- Section 2.6—Key GSA Assignment Definitions
- Section 2.7—Acquisition Methods Employed by the GSA Realty Specialist
- Section 2.8—Building Space for USDA Agencies

Utilization—Key business events or activities, which coincide with USDA agency occupation of GSA-assigned space.

- Section 2.9—GSA Assignment Utilization

Disposition—The methods or instruments associated with a USDA agency vacating GSA-assigned space.

- Section 2.10—GSA Assignment Disposal

2.1 GSA Assignment Overview

GSA facilitates the acquisition of space for agencies throughout the Federal government. All USDA agencies potentially occupy space obtained by using GSA real property management services.

A USDA agency performs the following general steps leading up to its use of GSA real property management services to acquire space:

- Plans for space assignments based on new or revised program and/or mission requirements.
- Obtains the necessary approval within the individual agency to start the acquisition process.
- Attempts to acquire USDA-controlled (owned or leased) space or collocate with another USDA agency or government agency.
- Coordinates with GSA and considers available federally-controlled space that meets the agency space needs.

2.2 Department-Level Roles and Responsibilities

The Office of Procurement and Property Management (OPPM) and the Office of Operations (OO) perform key roles that affect real property management throughout USDA.

This section discusses OPPM and OO roles.

2.2.1 Role of the Office of Procurement and Property Management (OPPM)

The role of OPPM in GSA-assigned real property management is as follows:

- OPPM develops and issues policies and procedures for real property management throughout USDA.
- OPPM is notified of the addition or removal of all agency GSA Assignments.
- A USDA agency must receive approval from OPPM for a new or increased GSA Assignment equal to or greater than the square footage requirements stated in the AGPMR. Notification, not approval, is required for all other changes for a GSA Assignment less than the square footage requirements stated in the AGPMR. OPPM must authorize the acquisition of GSA-assigned space by a USDA agency prior to the acquisition.
- OPPM monitors and maintains the USDA Central Rent Account. OPPM coordinates with the USDA Office of the Chief Financial Officer (OCFO) to perform this function.

2.2.2 Role of the USDA Office of Operations (OO)

The role of OO in real property management is as follows:

- Facilitates the acquisition of space for any USDA agency maintaining operations in the GSA National Capital Region (NCR). OO must be notified by all USDA agencies interested in acquiring space within the GSA NCR.
- Performs the following specific tasks relating to GSA Assignments held by USDA agencies operating in the GSA NCR:
  - Acts as a liaison between USDA agencies and GSA to acquire GSA-assigned space in the NCR.
  - Coordinates with OPPM to obtain approval to acquire GSA-assigned space of 5,000 square feet or more.

2.3 Other Roles and Responsibilities

This section defines the roles of individuals and other groups that perform key tasks to acquire and manage GSA-assigned space on behalf of USDA agencies:

- **USDA Agency Representative**—An individual tasked by a given USDA agency to develop a complete understanding of program and/or mission requirements leading to a space need by the USDA agency. The USDA agency representative pursues the acquisition of space in a manner consistent with the general acquisition method described in the GSA Assignment Overview section. Depending upon the USDA agency, the USDA agency representative may or may not be a Real Property Leasing Officer (RPLO).
- **GSA Realty Specialist—**An individual certified to facilitate the acquisition of space on behalf of the Federal government. The GSA Realty Specialist provides expertise in the following areas:
  - Market conditions in a given geographical region.
  - Knowledge of statutes and regulations governing the space acquisition process.
  - Research capability in identifying the availability of space in the market of interest to the USDA agency.
- **GSA Property Management Personnel**—GSA personnel responsible for administering any tasks associated with managing GSA-assigned space once a USDA agency establishes occupancy. GSA property management personnel perform such tasks as:
  - Re-measuring GSA-assigned space.
  - Acting as a liaison for USDA agency inquiries and updates.
  - Updating GSA rent bills.

2.4 Planning for Space

A USDA agency representative performs the following steps that characterize the planning phase of the GSA Assignment real property business workflow:

- Plans for additional space based on new or revised program and/or mission requirements.
- Obtains the necessary approval within the individual USDA agency to start the space acquisition process.
- Updates and maintains a USDA agency-wide master space plan that indicates the projected space need.

2.5 Initial Steps for Acquiring GSA-Assigned Space

This section discusses the initial steps the USDA agency representative performs to acquire GSA-assigned space.

- Verifies that there are no USDA-controlled (owned or leased) properties that match the space needs of the USDA agency or potential collocation partners. To accomplish this, the USDA agency representative contacts members of the real property management network maintained between USDA agencies.
- Contacts the appropriate regional GSA realty specialist to explore filling the USDA agency space need through GSA. The USDA agency representative conveys the following information to the GSA realty specialist:
  - Delineated area
  - Estimated total square footage required
  - Required duration of occupancy
  - USDA tenant agency(s)
  - Unique building or space needs, if any

2.6 GSA Assignment Definitions and Background

The following sections contain definitions associated with GSA space acquisition:

- GSA Assignment Types
- Occupancy Agreement (OA)

2.6.1 GSA Assignment Types

The following describes the various types of GSA Assignments:

- **Federally-Owned Space**—GSA-controlled space considered owned by the Federal government.
- **Leased Space**—GSA-controlled space involving a leasing agreement between the Federal government and a private Lessor.

2.6.2 Occupancy Agreement (OA)

An Occupancy Agreement (OA) is the statement of the business terms governing the relationship between GSA and the USDA agency for a specific space assignment.

The following information defines the purpose and characteristics of an OA:

- The OA is not a lease; the OA does not detail building rules and regulations.
- The OA specifies the USDA agency responsibilities and, in particular, the financial terms that will facilitate USDA agency occupancy in the GSA-assigned space.
- GSA desires USDA agency approval with every step in the process of acquiring space on behalf of the USDA agency. The USDA agency representative obtains the signatures necessary to approve the OA.
- GSA prepares OAs in an iterative fashion. GSA prepares a pro-forma OA when GSA and the USDA agency are able to define space requirements to the point that GSA Realty Specialists can research available properties.
- After the pro forma OA, GSA prepares subsequent versions of the OA as more specific information becomes available. GSA prepares a revised OA based on the evolving process leading to USDA agency occupancy in GSA-assigned space.
- The number of OAs will depend on a variety of factors, including, but not limited to, the following:
    - The unique qualities for the type of space required (e.g. a laboratory vs. “standard” office space).
    - The method used to acquire space (e.g. in GSA inventory, lease space, build space).
- A USDA agency may dispute or cancel any aspect of the preliminary iterations of the OA without bearing the financial responsibility up to the point GSA commits funds (e.g. when GSA signs a lease, purchases land, or awards a space planning contract. Please refer to the GSA Pricing guide for more detail on the when GSA commits funds).

OA for GSA-assigned Federally-Owned Space

GSA and the USDA agency establish an OA for the occupancy of federally-owned space by negotiating directly with each other.

An OA for federally-owned space is typically for a 5-year period, but in some instances are for longer durations. Refer to the GSA Pricing Guide for more detail on the duration of an OA in federally-owned space.

GSA commissions an independent appraisal approximately every 5 years. The appraisal serves as the basis for setting the financial terms of the OA. The independent appraisal sets the value of such things as the rent per square foot and the GSA services rendered for the care, maintenance and security of the space.

OA for GSA-assigned Space Leased from a Private Lessor

GSA and the USDA agency establish an initial OA based on the USDA agency requirements.

GSA negotiates the lease agreement with the private Lessor based on the needs of the USDA agency.

The OA occupancy term is consistent with the lease term specified in the underlying leasing agreement between GSA and the private Lessor. The occupancy term does not apply to any leasing options that might extend occupancy based on prescribed conditions. For example, if the underlying lease has a lease renewal option, the OA will not cover the duration of occupancy specified in the lease renewal option.

2.7 Acquisition Methods Employed by the GSA Realty Specialist

A GSA Realty Specialist attempts to acquire space for the USDA agency first, by researching its own inventory of federally-controlled space, and second by obtaining a lease from a private Lessor. The two methods are discussed in the sub-sections that follow:

- Acquiring Space in the GSA Inventory
- Acquiring Space by Leasing From a Private Lessor

2.7.1 Acquiring Space in the GSA Inventory

This section assumes that the GSA Realty Specialist identifies a space within the GSA inventory that will meet the space needs of the USDA agency. GSA-assigned space already in the GSA inventory will either be owned by the Federal government or leased from a private Lessor.

- The GSA Realty Specialist contacts the USDA agency representative to gauge interest in pursuing the space.

- The GSA Realty Specialist coordinates with the USDA agency representative and prepares a pro forma OA.
- The USDA agency either prepares space layouts or cooperates with a GSA space planner to develop space layouts.
- Either GSA or the private Lessor commences the process of constructing or building out the space in anticipation of USDA agency occupation. The party responsible for building the space depends upon which party owns and operates the space. The USDA agency either does space layouts or cooperates with the space planner on the space layouts.
- GSA and the USDA agency coordinate to perform the acceptance inspection(s) to monitor progress and to adjust the projected occupancy schedule, as needed.

The buildout could result in some unforeseen changes that might require GSA to prepare an updated OA.

2.7.2 Acquiring Space by Leasing From a Private Lessor

GSA may determine that there is no GSA-controlled space available in the GSA inventory matching the space needs of the USDA agency. In this instance, the GSA Realty Specialist and the USDA agency representative coordinate to obtain a lease from the private sector. In this situation, the USDA agency is responsible for supplying the delineated area for potential Lessors. GSA determines if sufficient competition exists in the delineated area based on knowledge of the market.

The GSA Realty Specialist initiates the process of acquiring space through a private Lessor in conjunction with the USDA agency realty specialist.

The GSA Realty Specialist performs the following steps when acquiring space via a private lease on behalf of a USDA agency:

- Advertises the USDA requirements and shares the advertisement with the USDA agency representative prior to actually advertising.
- Involves the USDA agency representative in the market survey. The GSA Realty Specialist coordinates the market research, identifying space and other critical components of the market survey. The USDA agency representative should participate in such aspects as the physical inspection of the space and contributing comments for inclusion in the final Market Survey report.
- Involves the USDA agency representative in the solicitation process. The GSA Realty Specialist prepares the Solicitations for Offers (SFO). The USDA agency representative reviews and approves the SFO prior to issuance.
- Conducts the evaluation of offers phase of the space acquisition process.
- Conducts the negotiations with offerors, keeping the USDA agency representative informed on progress associated with the negotiations. At the conclusion of the negotiations, the GSA Realty Specialist informs the USDA agency representative of the chosen offer.

- Awards the leasing agreement and updates the OA. The USDA agency representative ensures that required USDA agency personnel sign the OA. GSA considers this specific OA to be the effective OA. The effective OA officially obligates the USDA agency to GSA.
- Completes any tasks associated with the award of the leasing agreement, such as publicizing the award.
- Involves the USDA agency representative (or designee) in the space planning process. The GSA Realty Specialist ensures that a space planner prepares the architectural drawings that define the intended space layout. The USDA agency reviews and approves the space layout drawings.
- Periodically inspects and monitors the progress of space buildout. Towards the conclusion of construction, the GSA Realty Specialist requests USDA agency representative (or designee) participation in the space acceptance inspection. The GSA Realty Specialist prepares a list of deficiencies based on the acceptance inspection. The USDA agency representative reviews and approves the deficiency list, thereby accepting the circumstances for USDA agency occupancy. GSA continues to manage any remaining construction identified during the acceptance inspection.
- The USDA agency occupies the GSA-assigned space.
- Finalizes the OA.

The USDA agency representative ensures that required USDA agency personnel sign the final OA. When GSA successfully acquires space on behalf of the USDA agency via a lease with a private Lessor, GSA considers the space to be part of the GSA inventory.

2.8 Building Space for USDA Agencies

A USDA agency acquires GSA-constructed space through the following process, primarily conducted by GSA:

- Conducts community planning in each GSA region to identify long term Federal government space needs, including USDA agencies, and how best to meet them.
- Reviews federally-controlled space (federally-owned or leased space) in a given community, and compares what is available and what will be available (e.g. expiring leases). GSA determines how to best meet USDA agency space needs by looking at projected lease rates and projected construction costs within a given community.
- Conducts a feasibility study to determine if community market conditions are appropriate to recommend building construction as a remedy for USDA agency space needs.
- Engages the USDA agency to perform the process of space programming. The process of space programming involves gathering USDA agency requirements

for the type of space needed (e.g. building size, facilities). The space programming document includes cost estimates based on requirements obtained from the USDA agency.

- Using the space programming document, GSA develops a prospectus and submits it to Congress for approval to build the space. All Federal government construction projects require a prospectus.
- Receives congressional approval to begin the construction project.
- Prepares a pro forma OA and has the USDA agency sign it.

Note: Other than the review and approval of the pro forma OA and its subsequent iterations, the USDA agency has little or no involvement in the construction project, until the construction project nears completion. This period of limited involvement by the USDA agency may last for several years, depending upon the construction project. GSA is ultimately responsible for ensuring that the construction schedule goes according to plan.

- Using the space programming document as the basis for developing requests for proposals, GSA begins the process of developing and constructing the building and its surrounding area.
- During the construction period, GSA actively inspects the construction of the building and its surrounding area in conjunction with the construction management team.
- GSA ensures that a space planner prepares the architectural drawings that address the location and number of partitions, doors, electrical outlets, finishes, etc. the intended space layout. The space layout drawings address such aspects as the location and number of partitions, doors, electrical outlets, and finishes. The USDA agency reviews and approves the space layout drawings.
- Periodically inspects and monitors the progress of space buildout. Towards the conclusion of the space buildout, GSA requests that the USDA agency participate in the space acceptance inspection(s). GSA prepares a list of deficiencies based on the acceptance inspection(s). The USDA agency reviews and approves the deficiency list, thereby accepting the circumstances under which the USDA agency occupancy will occur. The USDA agency officially accepts occupancy in conjunction with the concurrence of GSA, once occupancy becomes feasible. GSA continues to manage any remaining buildout identified during the acceptance inspection(s).
- The USDA agency moves into the GSA-assigned space.
- The USDA and GSA finalize the OA.
- The USDA agency ensures that required USDA agency personnel sign the final OA.

2.9 USDA Agency GSA Assignment Utilization

The USDA agency coordinates with GSA regarding USDA agency occupancy.

This section discusses the following events:

- Property Management
- OA Amendments
- Rental Cost Adjustments
- Determining Future Occupancy
- Disputes

2.9.1 Property Management

The USDA agency consults with GSA property management personnel regarding any administrative aspect of occupancy in GSA-assigned space.

The role of GSA management personnel in GSA-assigned space varies based on the following ownership criteria:

- For federally-owned GSA-assigned space, the USDA agency may consult with GSA management personnel regarding any aspect of property management.
- For privately leased GSA-assigned space, the USDA agency consults with GSA management personnel regarding property management unless the USDA agency has permission through the Lease Management Delegation Program to deal directly with the Lessor.

GSA performs the following general administrative duties for a USDA agency occupying federally-owned space:

- Rental adjustments and operating cost escalations.
- Enforces lease terms and conditions.

GSA performs the following general administrative duties for a USDA agency occupying space obtained from a private Lessor:

- Processes taxes, rental adjustments, and operating cost escalations.
- Initiates and executes contract changes and additions, particularly regarding the lease.
- Enforces lease terms and conditions.
- Procures services outside of the lease.
- Pays rent to private Lessors or designees.

GSA performs the following general and administrative duties for a USDA agency that is sharing space with another USDA agency:

- GSA charges agencies for joint use space on a prorated basis. To record collocation costs in CPAIS, an agreement is established to enter costs and a tenant bill is created.
- CPAIS determines the amounts allocated to joint use space based on the percentage of square footage that each sharing agency uses.
- Agencies perform monthly rent comparisons to verify the billed amount matches the occupancy agreement, and to request adjustments where unsubstantiated or incorrect differences appear.
- CPAIS performs this comparison automatically via the Strategic and Tactical Advocates for Results (STAR) Billing System interface data load and reconciliation functionality.

2.9.2 OA Amendments

GSA may issue a revised OA during USDA agency occupancy of GSA-assigned space for a variety of reasons.

The following list provides examples for which GSA issues an OA revision during USDA agency occupation:

- The USDA agency requires an increase or decrease in space at an existing location.
- The USDA agency requires an adjustment in GSA real estate services.
- GSA physically re-measures the space and discovers that the true square footage for the space assignment is different than the square footage of record.
- GSA or the USDA agency requires an adjustment in building-specific security services.
- GSA or the USDA agency wishes to revise the OA term.

2.9.3 Rental Cost Adjustments

The USDA agency may encounter rent fluctuations for a variety of reasons in GSA-assigned space.

The OA specifies the factors that can result in changes to the annual rent amount. The USDA agency representative must monitor changes to the rent enacted by GSA, and determine his/her acceptability.

This section discusses several factors that may result in a rent change for a USDA agency occupying GSA-assigned space. The examples provided are not intended to be exhaustive. In practice, the USDA agency rent amount in GSA-assigned space is contingent on a significant number of factors, which may change over time.

Changes in Base Rent

GSA establishes a base rent amount that does not often fluctuate. The base rent (GSA shell rent) covers the complete structure, base building systems and finished common areas of a building.

Base rent fluctuates when a key underlying component of the USDA agency occupancy changes. For example, when a USDA agency increases or decreases the amount of space it occupies, the base rent fluctuates.

Real Estate Taxes

In GSA-assigned space leased from a private Lessor, GSA transfers real estate tax costs to the USDA agency. Tax adjustments usually coincide with the anniversary of the lease. The USDA agency absorbs the financial impact of the tax adjustment in one billing cycle, only, as reflected in the data residing in the STAR Billing System.

Operating Costs

The following applies to USDA agencies occupying GSA-assigned space regarding operating costs:

- In federally-owned GSA-assigned space, GSA ensures the performance of an independent appraisal to assess operating costs in GSA-assigned federally-owned space. The independent appraisal establishes the base for operating costs that GSA assesses when the USDA agency establishes occupancy. Operating costs may fluctuate annually in federally-owned space. Adjustments are based on an OMB-established inflation factor. The inflation factor triggers a requisite increase or decrease in operating costs, similar to the Consumer Price Index (CPI) referred to in the Chapter 3, Leases.
- In GSA-assigned space leased from a private Lessor, GSA passes fluctuations in operating costs on to the USDA agency. GSA reflects operating cost fluctuations STAR Billing System.

Security Charges

GSA provides security services for all GSA-controlled space (federally-owned or leased). GSA quotes security charges on a per-square foot basis. GSA assesses two separate security charges:

- **Basic Security**—The basic security charge covers the performance of security services that GSA provides regardless of the underlying structure and its surrounding area. An example of a service covered by a basic security charge includes GSA assurance that the investigation of and assistance with the prosecution of crimes committed on GSA-controlled property.

- **Building-Specific Security**—Building-specific charges cover the performance of security services that GSA provides based on the security needs of the underlying structure and its surrounding area. An example of a building-specific charge would include any costs associated with the purchase, installation and maintenance of security devices.

GSA segregates its building-specific security charges into the two types of costs listed below:

- **Operating Expenses**—GSA building-specific operating expenses may fluctuate substantially from year-to-year, therefore impacting the USDA agency rent accordingly. GSA establishes the cost associated with building-specific security operating expenses at the end of the fourth quarter for the next fiscal year.
- **Amortized Capital Costs**—GSA building-specific amortized capital costs do not cause fluctuations from year-to-year. GSA reflects the impact of amortized capital costs in the USDA agency rent through a consistently applied monthly charge. An example of a building-specific amortized capital cost would include costs that exceed the GSA capitalization threshold associated with purchasing and installing security equipment.

2.9.4 Determine Future Occupancy

The USDA agency must determine its course of action regarding future occupancy prior to the expiration of the GSA Assignment occupancy term. This section discusses the necessary coordination between GSA and the USDA agency to address questions regarding future occupancy.

To ascertain preliminary USDA agency requirements for future occupancy, GSA provides a questionnaire to the USDA agency representative at least 18 month in advance of the OA occupancy term expiration. The questionnaire provides the USDA agency representative with the opportunity to solidify decisions regarding future occupancy.

GSA intends to clarify the following general areas with the questionnaire:

- Continued need for space by the USDA agency beyond the OA occupancy term expiration.
- USDA agency satisfaction with the GSA-assigned space.
- USDA agency satisfaction with the provision of GSA property management services.
- USDA agency preference for retaining the existing GSA Assignment or relocating. Even if the USDA agency prefers to remain in the space, it may not be possible for a number of reasons (e.g. no available renewal option). USDA agency preferences for future space will lead to the following:

- If the USDA agency wishes to retain the existing GSA-assigned space, the questionnaire lists questions for alterations or modifications that the USDA agency desires to the existing GSA-assigned space, when applicable.
- If the USDA agency does not wish to retain the existing GSA-assigned Space, the questionnaire contains questions regarding specifications for an alternate space.

GSA-Assigned Space—Leased From a Private Lessor

The process for determining future occupancy when the USDA agency occupies GSA Assigned space leased from a private Lessor is as follows:

- GSA must initiate the competitive process to determine whether it will retain the space in the GSA inventory subsequent to the expiration of the existing lease with a private Lessor. GSA must perform this activity regardless of whether the USDA agency wishes to retain its occupancy or relocate. The competitive process may dictate that GSA must release the space from its inventory
- GSA may also decide to engage in negotiation with the private Lessor to retain the existing space in the GSA inventory. Assuming the USDA agency chooses to retain its occupancy in the space, GSA incorporates USDA agency requirements for space alterations or modifications.

GSA-Assigned Space—Federally-Owned

This section details the process for determining future occupancy when the USDA agency occupies federally-owned GSA-assigned space.

If the USDA agency wishes to stay in the current space notification should be sent to GSA.

The USDA agency representative may indicate in the GSA questionnaire the USDA agency's interest in relocating to alternate space. In instances where the space is federally-owned, the agency must obtain GSA's agreement to move.

In this instance, the USDA agency representative indicates one of the following in the GSA questionnaire:

- Basic requirements for establishing occupancy in a different GSA-assigned space. In this instance, GSA coordinates further with the USDA agency to begin the process of acquiring new GSA-assigned space.
- The USDA agency has no interest in relocating to an alternate GSA-assigned space. In this instance, it assumed that the USDA agency representative has achieved one of the following:

- Established a strong likelihood of acquiring USDA-controlled (owned or leased) space.
- Acquired the services of a USDA agency Real Property Leasing Officer (RPLO). An RPLO may begin the process of directly acquiring a private lease to meet the space needs of the USDA agency.

2.9.5 Disputes

The USDA agency representative must coordinate with GSA property management personnel in the event that the USDA agency considers the services (e.g. administrative services, building maintenance services) inadequate.

GSA property management personnel perform periodic site visits and work closely with USDA agency representatives to ensure adequate performance of services.

GSA property management personnel must ensure that the Lessor performs the services to the leasing agreement standard.

When the Lessor provides services in an inadequate manner, GSA property management personnel make arrangements for the performance of the services by others. For example, when the Lessor does not provide operating services clearly specified in the leasing agreement as the responsibility of the Lessor, GSA property management personnel procures the additional services through a separate contract.

GSA property management personnel may reduce or withhold rent normally paid to a Lessor to enforce lease performance requirements.

GSA may choose to not pass the reduction along to the USDA agency because the funding in question may be required to enable GSA to provide compensatory services for those not performed by the Lessor.

2.10 USDA Agency GSA Assignment Disposal

The disposal phase of the GSA Assignment business workflow is characterized by the following events:

- USDA Agency Notification
- Relocation

2.10.1 USDA Agency Notification

A USDA agency must notify GSA within four months of the time it wishes to vacate the GSA Assignment. At any time during the OA occupancy term, the USDA agency may notify GSA, in writing, of its wish to relinquish the space.

GSA must accept the USDA agency request if GSA does not consider the space "non-cancelable". GSA must accept the USDA agency request regardless of whether the GSA-assigned space is federally-owned or leased from a private Lessor. GSA assumes the risk of having the USDA agency prematurely vacate the space.

GSA may contest the USDA agency request to relinquish "non-cancelable" space. Despite GSA's protest, the USDA agency may still elect to vacate the space. In the event that the USDA agency elects to vacate the space, GSA holds them liable for all expenses due under the terms of the original OA. GSA may require that the USDA agency continue to reimburse GSA in full for lost rent until GSA finds a replacement or "backfill" tenant to occupy the space or until the end of the OA term.

2.10.2 Relocation

Under most circumstances, a USDA agency must fund its own physical relocation out of GSA-Controlled (federally-owned or leased) space, particularly when the relocation occurs at the end of a designated OA occupancy term.

The following exceptions apply:

- A "forcing" agency compels a USDA agency to relocate from the GSA-controlled space prior to the expiration of the OA occupancy term. GSA must recognize the relocation action as one facilitated "by force" by another agency. GSA requires that the forcing agency reimburse the relocating USDA agency and GSA for any costs resulting from the relocation.

  Note: GSA could act as a forcing agency under certain circumstances.

- Emergency relocation due to disasters or crises. GSA provides the initial funding required for a USDA agency relocation resulting from disasters or crises, unless other arrangements are made. The USDA agency reimburses GSA in these instances.

GSA may conceivably charge the USDA tenant agency rent at two locations in the event that GSA finds the tenant agency to be responsible for an unacceptable delay in relocation.

3 Leases

This chapter describes the business workflow for the USDA leases. This chapter complements, but does not replace, the guidance contained in the USDA Leasing Handbook. The USDA Leasing Handbook remains an integral source of information regarding leases throughout USDA.

This chapter contains an overview of the authority, roles and responsibilities regarding leases within USDA in the following sections:

- Section 3.1—USDA Agency Leasing Authority Overview
- Section 3.2—Department and Agency Roles and Responsibilities
- Section 3.3—Agency-level Real Property Roles and Responsibilities

The following four areas Planning, Acquisition, Utilization and Disposal define the real property business workflow for GSA Assignments

Planning—The execution of activities that precede the decision to formally pursue the acquisition of leased property.

The following sections discuss lease planning:

- Section 3.4—Develop Space Requirements
- Section 3.5—Advertise
- Section 3.6—Conduct Market Survey

Acquisition—The process of obtaining leased property characterized by the active formal pursuit of leased property and the preparation of the leased property for agency occupation.

The following sections discuss the process of lease acquisition:

- Section 3.7—Solicitation for Offers
- Section 3.8—Negotiate Based on Solicitation
- Section 3.9—Award Lease
- Section 3.10—Manage Buildout, Inspection and Agency Occupation

Utilization—Key business events or activities which normally coincide with agency occupation of the leased space.

The following section discusses the process of lease utilization:

- Section 3.11—Manage and Administer the Lease

Disposition—The methods or instruments, enabling agencies to render the lease contract null and void.

The following section discusses the process of lease disposition:

- Section 3.12—Disposal

3.1 USDA Agency Leasing Authority Overview

The Administrator of GSA delegated authority to the Secretary of USDA to independently procure leases as long as certain conditions are met. The USDA Leasing Handbook includes a letter that prescribes the conditions that must be met for a USDA agency to take advantage of the GSA Delegation of Authority. The letter conveys the GSA Delegation of Authority from the GSA Administrator to the Secretary of Agriculture. The GSA Administrator issued the letter on September 25, 1996.

Additionally, USDA agencies must justify that one or more of the following requirements are met in order to independently proceed with the acquisition of a lease:

- Leasing represents a better alternative to constructing a new building or altering an existing Federal government building to meet agency program and/or mission space requirements.
- Leasing represents a better alternative to constructing a new building or altering an existing Federal government building because the demand for space is insufficient and/or the scope or duration or the project to complete the work is undesirable or unreasonable.

Capital Leases

Only a USDA agency with re-delegated GSA leasing authority can pursue a capital lease. Overall, the USDA discourages pursuing capital leases.

Capital Lease Accounting Impact

A capital lease transfers substantially all the benefits and risks inherent in the ownership of the property. This transfer occurs at the inception of the lease if one or more of the following criteria exist:

- Ownership of the property will be transferred to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is substantially (i.e., 75% or more) equal to the estimated useful life of the leased property.
- At the beginning of the lease term, the present value of the minimum lease payments, with certain adjustments, is 90% or more of the fair market value of the property.

The last two criteria are not applicable when the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property. If a lease does not meet at least one of the above criteria, it should be classified as an operating lease.

CPAIS will only record that a lease is a capital lease. It will not create a subledger or any other financial transactions for processing in FFIS. All accounting related activities for capital leases are done outside of CPAIS. Agencies should follow their agency specific procedures for entering capital leases into FFIS.

3.2 Department and Agency Roles and Responsibilities

OPPM authorizes eight USDA agencies to take advantage of the GSA delegated leasing authority granted to USDA. Further, OPPM empowers several of the eight USDA agencies with independent leasing authority to independently pursue leases on behalf of several sister USDA agencies.

The following list identifies the eight USDA agencies with independent leasing authority in conjunction with the sister agencies, for which they provide similar services:

- Animal & Plant Health Inspection Service (APHIS)
  - Agricultural Marketing Service (AMS)
  - Grain Inspection, Packers & Stockyards Administration (GIPSA)

    - National Appeals Division (NAD)
- Agricultural Research Service (ARS)
    - Cooperative State Research, Education, and Extension Service (CSREES)
    - Economic Research Service (ERS)
    - National Agriculture Statistics Service (NASS)
- Farm Service Agency (FSA)
    - Foreign Agricultural Service (FAS)
    - Risk Management Agency (RMA)
- Food and Nutrition Service (FNS)
- Food Safety and Inspection Service (FSIS)
- Forest Service (FS)
- Natural Resources Conservation Service (NRCS)
- Rural Development (RD)

The following is an OPPM requirement pertaining to acquiring leased space:

- Only duly appointed and warranted USDA real property personnel may represent USDA agencies in facilitating leases. These authorized leasing designees must comply with all requirements described in the GSA Delegation of Authority letter. There are several exceptions to this requirement.

3.3 Agency-level Real Property Personnel, Roles and Responsibilities

The following USDA agency officials facilitate independent leasing between USDA agencies and Lessors:

- **Real Property Leasing Officer (RPLO)**—An individual appointed in accordance with the Departmental Regulation 5100-002 with the authority to enter into, administer, amend and/or terminate real property leasehold contracts in accordance with Federal acquisition and real property laws and regulations.
- **Head of the Real Property Leasing Activity (HRPLA)**—The official or designee who has overall responsibility for managing a real property leasing activity within a given USDA agency. This official verifies the need for a warranted leasing officer, requests that a person be warranted, and certifies the qualifications of the individual to the appointing official.

3.4 Develop Space Requirements

USDA agency space requirements permeate every aspect of the real property business workflow. In many instances, decisions regarding a single requirement substantially control how a given USDA agency plans for and acquires space.

OPPM recommends that the USDA agency use the GSA Standard Form 81 (Request for Space) and related documents (SF-81A, Parts 1 and 2) to facilitate the development and documentation of agency space requirements for use in the Solicitation for Offer (SFO). The SF-81A and its associated documents provide a template for requirement categories and their considerations. The SF-81A remains a useful tool despite the fact that GSA no longer requires its submission. Please refer to the USDA Leasing Handbook, Solicitation for Offers chapter, for descriptions of space requirement categories.

3.4.1 Develop an Acquisition Plan

The acquisition plan serves as a catalyst for subsequent steps in the leasing business workflow. The acquisition plan contains milestones and general expectations regarding future space the USDA agency intends to acquire. The RPLO develops a written acquisition plan for all proposed leased space acquisitions.

Note: The approval process and expected content for an acquisition plan varies among USDA agencies and acquisitions.

3.5 Advertise

The RPLO advertises the request for leased space to accomplish the following:

- Communicate relevant facts regarding current occupancy of the USDA agency, such as when the current lease expires.
- Generate interest in the upcoming USDA agency request for leased space.
- Request responses (oral or written) from potential offerors per the list of advertised USDA agency space requirements. Please refer to the advertising section of the USDA Leasing Handbook, Leasing Procedures chapter, for a description of facts the USDA agency should specify in its advertisements.

The RPLO may advertise in several manners, including placing an ad in local newspapers or using on-line databases.

The USDA agency must observe the following advertising requirements:

- The USDA agency is required to advertise in any instance where agency requirements for space exceed 10,000 square feet. The USDA agency should present the advertisement to the Advisory Council on Historic Preservation in instances where agency requirements for future space exceed 10,000 square feet. Please refer to the advertising section of the USDA Leasing Handbook, Chapter 3, Leasing Procedures, for additional details regarding the applicable procedure for contacting the Advisory Council on Historic Preservation.

- The RPLO may choose to advertise when the USDA agency requirements for future space do not exceed 10,000 square feet, particularly if the USDA agency believes advertising might increase the number of potential leased space providers.

3.6 Conduct Market Survey

The RPLO conducts a market survey to gather additional information regarding the marketplace of interest to the USDA agency for leased space.

The RPLO completes the following during the market survey:

- Identifies competitive options other than the USDA agency continuing to occupy the existing space. For example, prevailing rental rates of comparable space and relocation costs associated with a potential move.
- Achieves strong familiarity with the marketplace to enable the USDA agency to approach all subsequent aspects of the leased space acquisition process efficiently and effectively.

The RPLO use the market survey in a variety of situations. For example, the RPLO may use market survey results to justify negotiations with the Lessor for the space the USDA agency already occupies. The market survey may have indicated that poor competition exists for the marketplace of interest or some other extenuating factor that would lead the RPLO to negotiate with the Lessor.

In particular, market survey results enhance the ability of the RPLO to perform the following:

- Develop the SFO
- Negotiate with potential offerors

The market survey is comprised of the following stages:

- Identify potential locations
- Perform inspections of potential space
- Record market survey results

3.6.1 Identify Potential Locations

The RPLO should identify as many potential locations as possible in an attempt to comply with CICA guidelines.

The following list provides suggestions on the methods the RPLO may employ to identify potential locations:

- Search local newspaper advertisements
- Consult with real estate agents, real estate service contractors, or other related professionals
- Contact local officials
- Search commercial space databases
- Search for potential collocation property

3.6.2 Perform Inspections of Space

Inspections are not mandatory during the market survey phase of the lease space acquisition process, but are highly recommended.

Inspections allow the RPLO to determine firsthand the extent to which the USDA agency space requirements are met.

The RPLO performs the following tasks regarding inspections of space:

- Coordinates with the necessary owners, agents, or other property contacts to perform the inspections
- Brings the necessary tools to facilitate the following:
  - Performing a complete inspection of the space
  - Conveying key USDA agency requirements to the property contacts
  - Documenting the suitability of the space

3.6.3 Record Market Survey Results

The RPLO documents the results of the market survey. The RPLO notes the suitability of the space and any related market survey forms provide documentation for the lease case file and documentation of the analysis of the inspection results.

The RPLO may use GSA Form 3627, Market Survey Form, to document essential facts regarding the market survey.

3.6.4 Analyze Advertising and Market Survey Results

The RPLO analyzes the results of the advertising and market survey phases of the acquisition process to determine how to proceed with acquiring leased space. Advertising and market survey results determine whether the USDA agency pursues leasing options with the current Lessor regarding the space already occupied by the USDA agency or whether the USDA agency engages in the competitive process to identify potential replacement space.

It is the RPLO's responsibility to classify the competition level into one of the following CICA classifications:

- Full and Open Competition
- Other Than Full and Open Competition
- Exceptions For Use of Full and Open Competition

Each of the competition classifications involves specific procedures that the RPLO must employ as the USDA agency proceeds with the acquisition of leased property. Refer to the Competition in Contracting Act Section of the USDA Leasing Handbook, Planning for Acquisition chapter for additional information regarding the CICA competition levels.

3.6.5 Acquisition Procedures

Prior to writing the SFO, the RPLO determines which set of acquisition procedures, standard or streamlined, to utilize.

The Federal Acquisition Streamlining Act of 1994 (FASA) permits streamlined procedures for performing leasing acquisitions. The FASA, in conjunction with the General Services Administration Regulation (GSAR) Change 65, allows the USDA agency to employ streamlined procedures if the net annual rental amount is not expected to exceed the GSA Simplified Lease Acquisition Threshold (SLAT).

If the threshold is exceeded then standard acquisition procedures are used. Refer to the USDA Leasing Handbook for more details on acquisition procedures.

3.7 Solicitation for Offers

A Solicitation for Offers (SFO) documents the USDA agency space requirements. USDA agencies prepare and issue a written SFO that clearly states space requirements enabling potential offerors to review, understand and respond appropriately.

The following sections pertain to the process of preparing and issuing an SFO:

- SFO Guidance, Policies and Procedures
- Print Most Recent GSA Forms
- Other SFO Requirements
- Solicit Alternate Offers

3.7.1 Standard Forms

The following list identifies the Standard Forms and other GSA documents which establish guidance, policies and procedures for the standard lease acquisition process:

- Standard SFO
- GSA Form 3516, Solicitation Provisions
- GSA Form 3517, General Clauses
- GSA Form 3518, Representations and Certifications

The following list identifies the standard forms and other GSA documents which establish guidance, policies and procedures for the streamlined lease acquisition process:

- GSA Form 3526, U.S. Government Lease for Real Property (Short Form)
- GSA Form 3517A, General Clauses (Short Form)
- GSA Form 3518A, Representations and Certifications (Short Form)

3.7.2 Where to Go For Forms

The most recent standard and optional forms are posted on the following GSA website:

- http://gsa.gov/forms/

3.7.3 Other SFO Requirements

In addition to content noted previously, the SFO should include the following:

- The award factors that the USDA agency uses as the basis for determining the optimal offer for the USDA agency.
- The specific deadline for potential offerors to provide their written responses/offers to the USDA agency.
- GSA Form 1364, Proposal to Lease Space, which provides potential offers with a structured proposal format.

3.7.4 Solicit Alternate Offers

The RPLO may decide to solicit alternate offers for specific areas of interest to the USDA agency. If the decision is made to solicit alternate offers, the RPLO must also insert language in the SFO that requests alternate offers from offerors.

The following example provides considerations for a standard vs. alternative offer:

- The USDA agency desires a five-year lease with no cancellation rights. The RPLO ensures that the SFO states this request. In addition, the SFO states the alternate solicitation, where the RPLO considers a two-year term lease with three, one-year renewal options. A renewal option is a stipulated lease-term, where the USDA agency may choose to extend its occupancy for a specified period. Assuming an offeror responded to the main solicitation and its alternative, the USDA agency must weigh the costs and benefits of committing itself to a firm five-year lease as opposed to the traditionally more expensive renewal-based lease option.

3.7.5 Evaluate Offers

The RPLO must evaluate each offer received based on the following criteria:

- **Price**—The summarized rental amount for the space. The RPLO uses the price to perform a series of relevant calculations involving several factors (e.g. square footage, present value analysis) to compare proposals from different offerors.
- **Technical Factors—**The technical evaluation determines whether an offer meets the specifications in the SFO (e.g. the determination that the square footage requirements identified in offer matches those stated in the SFO).

The Evaluation of Offers phase of the leased space acquisition process contains four stages; Prepare to Evaluate Offers, Perform Initial Verification Procedures, Prepare Abstract of Offers, and Compare Offers.

- **Prepare to Evaluate Offers**—The RPLO reviews the SFO to reacquaint him/her with its requirements.
- **Perform Initial Verification Procedures**—The RPLO performs an initial review of each offer to verify the following:
  - An authorized party (e.g. the owner or real estate agent with written authority to represent the building owner) signs each offer.
  - Names of offerors must not include Federal employees or members of Congress. The HRPLA must grant approval for the RPLO to consider any offer made by a Federal employee or member of Congress. The HRPLA must not grant approval unless there is a compelling reason. USDA requires the USDA agency to perform this approval to avoid any conflicts of interest or favoritism.
- **Prepare Abstract of Offers**—In order to facilitate comparisons of offers, the RPLO should prepare an abstract for each offer. The RPLO should include quantifiable information useful for comparing each abstract and incorporate specific notes concerning the acceptability of a given offer, omissions, and any other appropriate areas. The RPLO notes, in conjunction with the other information in the abstract of each offer, prepare the RPLO to negotiate with offerors.
- **Compare Offers**—The RPLO performs the following tasks to compare offers:
  - Assigns the offer into one of the following competitive categories:
    - **Responsive offer**—Meets or exceeds the criteria set forth in the SFO.

- **Non-responsive offer**—Does not meet the criteria set forth in the SFO.

- Bases the competitive category assignment on the extract of offers.
- Applies the criteria described in the award section of the SFO to distinguish between the responsive and non-responsive offers. Please refer to the Award Factors section in the USDA Leasing Handbook, Evaluation of Offers chapter for information regarding accessibility requirements that the RPLO must consider during the comparison process.
- Prepares a statement for each non-responsive offer that describes the basis for why the RPLO deemed the offer to be non-responsive.
- Engages in negotiations with offerors, whose offers are deemed responsive.
- Notifies non-responsive offerors to make them aware of their unsuccessful bid. The RPLO usually accomplishes this through notification by letter. The letter usually includes a blanket statement regarding the reason why the bids of the offerors were unsuccessful

For descriptions of abstract of offers and the calculations see the USDA Leasing Handbook, Solicitation for Offers (SFO) chapter.

3.8 Negotiate Based on Solicitation

The RPLO engages in negotiations with responsive offerors identified in the evaluate offerors phase acquisition process. Negotiations require the following actions:

- Prepare for Negotiations
- Perform Negotiations
- Terminate Negotiations
- Document the Results

3.8.1 Prepare for Negotiations

The RPLO documents the negotiation objectives. Documented negotiation objectives enhance the ability of the RPLO to negotiate the best leasing terms for the USDA agency.

The following list includes examples of tasks the RPLO performs to identify and document its negotiation objectives:

- Assembles documentation from the evaluation of each responsive offer to the USDA agency lease SFO.
- Assembles documentation from the USDA agency performance of its market survey.
- Incorporates any other technical input.

- Establishes a minimum and maximum rental range per rentable square foot for each qualifying building.
- Prepares to negotiate all items where the USDA agency requests a price quotation in its SFO.

3.8.2 Perform Negotiations

The RPLO conducts separate negotiations with each responsive offeror. The parties should ideally meet in person, but may choose another means (e.g. telephone) to conduct the negotiation.

The RPLO performs the following tasks during the negotiations:

- Reviews the SFO and/or the SFO response to clarify uncertain areas.
- Discusses areas of key concern or focus for either party (e.g. accessibility requirements and safety requirements).
- Grants or applies any concessions or additional requirements identified during discussions with one or more offerors to all responsive offerors.
- Clarifies that all parties involved in the negotiations must keep offers confidential prior to award.
- Documents all time extensions and other modifications to the SFO and provide revised SFOs to responsive offerors.
- Does not strike any oral agreements with responsive offerors.

3.8.3 Termination of Negotiations

The RPLO may also choose to perform one of the following actions upon concluding the negotiations with qualifying offerors and evaluating the negotiation results:

- If negotiation results are insufficient, the RPLO may begin an additional round of negotiations. In this instance, the RPLO must engage all of the original responsive offerors in any additional rounds of negotiations.
- If negotiation results are sufficient, the RPLO may request a written "best and final" offer from qualifying offerors by a specified official date and time. In this instance, the RPLO must close negotiations after receiving "best and final" offers from offerors.

3.8.4 Document the Results

The RPLO places a written negotiation record in the lease file. The RPLO may choose to prepare a Price Negotiation Memorandum (PNM) to support its decision to award the leasing contract.

3.8.5 Amend Solicitation or Issue New Solicitation for Offers

Leased space requirements are fluid and may require adjustment or modification at any point after the USDA agency issues the original solicitation. In the event of a requirement change, the RPLO updates the original SFO requirement language through the following means:

- **SFO Amendment Document—**Issue an SFO amendment if requirement changes are within the scope of the original SFO. The RPLO determines what is "inside the scope" of an existing lease based on his/her knowledge of the lease terms as it applies to different modifications. The RPLO references the solicitation number, USDA agency and location with an SFO amendment document. The RPLO must restate the original requirement(s) and describe the change, addition or deletion.
- **New SFO—**Issue a new SFO if requirement changes are so significant that they are considered to be outside the scope of the original SFO.

If the RPLO proceeds with either an SFO amendment document or a new SFO, the competitive process restarts.

3.9 Award Lease

The RPLO must award the lease to the offeror whose offer was most advantageous to the USDA agency. The process of awarding the lease requires the following steps:

- Approve Layout
- Receive Approval to Make Award
- Notify Offerors
- Prepare and Issue Lease

3.9.1 Approve Layout

The RPLO performs the following tasks regarding the space layout:

- Finalizes the space layout drawings prior to making the award. The space layout drawings should only identify the number, location, choice of partitions, telephones, electrical outlets, floor coverings, window coverings, and painted surfaces.
- Ensures consistency with the SFO and addresses safety concerns during the preparation of space layouts.
- Incorporates outstanding requirements beyond those identified in the SFO.
- Approves the mechanical, electrical, structural or architectural drawings provided by the Lessor in lieu of presenting the USDA agency approved space layout.

- Documents the date and time the USDA agency provided the approved space layouts to the Lessor.

3.9.2 Receive Approval to Make Award

Each USDA agency establishes an internal lease approval process usually based on the rent dollar value for the initial lease term. The USDA agency approval process varies from agency to agency in the following ways:

- The dollar value thresholds that require written approval before the RPLO can award the contract.
- The personnel involved in granting written approvals before the RPLO can make the award.

Prospectus-Level Awards

Prospectus-level leasing acquisitions are leases with a dollar value that requires Congressional approval before the RPLO can make the lease award. OPPM established a required path of written approval for leases whose terms meet or exceed the prospectus level leasing contract threshold. It is important to note that GSA increases the prospectus dollar value threshold from year to year.

Please refer to the USDA Leasing Handbook, Chapter 8, Award, Contract Clearance Thresholds section for the required the USDA agency approval process for a prospectus-level lease.

3.9.3 Notify Offerors

The RPLO performs the following:

- Prepares and sends an award letter to the intended recipient of the lease within the timeframes specified in the SFO.
- Provides a written request for an extension to each offeror, if the USDA agency cannot issue its written award of the lease within the timeframes specified in the SFO.
- Notifies unsuccessful offerors that they were not chosen at the time the USDA agency notifies the intended lease award recipient.

3.9.4 Prepare and Issue Lease

The RPLO prepares the following SFO GSA Forms:

- GSA Standard Form 2 (SF-2), U.S. Government Lease for Real Property if the average annual net rent is expected to exceed $100,000.

- GSA Form 3626, U.S. Government Lease for Real Property (Short Form) if the average annual net rent is not expected to exceed $100,000 and the USDA agency applies the simplified leasing procedures established by GSA.

Lease Content Section

During preparation of the contract, the USDA agency must avoid ambiguity in descriptions of the lease terms. The penalty for ambiguity often results in a ruling against the composer of the contract in the event of a dispute. The lease must strive to reflect the final terms and conditions agreed upon between the USDA agency and the intended contract recipient. The lease, and its attachments, must be internally consistent in documenting the agreed upon terms and conditions.

The following list provides examples of areas that the lease must address:

- Buildout
- Lease and Payment Commencement
- Rental Cost Adjustments
- Change of Ownership
- Disputes

Refer to the Alterations or Other Construction Work section of the USDA Leasing Handbook, Solicitation for Offers chapter for descriptions of key Lessor responsibilities that the RPLO includes in the lease during the buildout period and lease payment commencement.

For descriptions of the lease clauses relating to rental cost adjustments, change of ownership, and disputes, please refer to the USDA Leasing Handbook, Lease Administration chapter.

3.9.5 Correcting Mistakes after Award and/or Signing of Lease

USDA agency personnel or other parties occasionally identify mistakes pertaining to the original offer provided by the Lessor. Flawed offers received from a Lessor require corrective action after the USDA agency awards the lease or signs the lease.

The RPLO may employ either of the following techniques to correct important mistakes:

- Rescind the award.
- Amend the lease with the aid of the Office of the General Counsel (OGC).

Federal Acquisition Regulation (FAR) 14.406-4 and General Services Administration Regulation (GSAR) 514.40 provide guidance for this matter.

3.9.6 Publicizing the Award

The RPLO publishes a synopsis in the Commerce Business Daily (CBD) for all contract awards where the lease:

- Exceeds $500,000 in total (lease value)
- Contains subcontracting opportunities

For a list of items the RPLO must provide to the CBD, see the Post Award Publicizing section in the USDA Leasing Handbook, Procedure after Lease is Signed chapter.

3.10 Manage Buildout, Inspection and Occupation

After the lease is signed, the RPLO ensures that the USDA agency occupies the leased property.

3.10.1 Manage Buildout

Buildout represents a crucial component of achieving USDA agency occupancy. The Lessor initiates construction (buildout) to prepare the space for USDA agency occupancy. The Lessor may perform buildout both before and after the USDA agency accepts the space for occupancy. The ability to make sound decisions to accept space and identify the conditions under which the USDA agency occupies the space is contingent on USDA agency management of leased space buildout. The USDA agency manages buildout through the acceptance inspection.

The RPLO monitors the construction associated with the buildout phase of the leased space acquisition process. The RPLO uses acceptance inspections to monitor buildout progress and make adjustments to the projected occupancy schedule, as needed. The acceptance inspection period involves the following stages:

- Prepare for Acceptance Inspection
- Perform the Acceptance Inspection

3.10.2 Prepare for Acceptance Inspection

The RPLO, required inspectors, and the building(s) managers coordinate to arrange for and perform each lease acceptance inspection.

The RPLO prepares an inspection checklist prior to performing the inspection(s).

3.10.3 Perform the Acceptance Inspection

The RPLO inspects the property several times before occupying the space to gauge the progress and quality of the construction. Generally, the RPLO and required inspectors inspect more thoroughly with each successive lease acceptance inspection, checking construction against copies of the final USDA agency-approved layouts.

The RPLO and the inspectors should perform several checks during the acceptance inspections. Examples of the acceptance inspection checks are as follows:

- Verifying the placement of various fixtures (e.g. doors, outlets, etc.) against the USDA agency-approved space layouts.
- Physically measuring spaces that impact the usable space (e.g. restrooms, dividing walls).

Identify Deficiencies

The RPLO and the inspectors identify deficiencies during the lease acceptance inspection and any follow up inspections, especially those that delay or prevent scheduled USDA agency occupancy from occurring as planned.

The RPLO and the inspectors classify the deficiencies as deficiencies to be corrected before occupancy or deficiencies whose correction can be deferred until after occupancy. Deficiencies to be corrected before occupancy include those that are necessary to operation/occupancy, those that threaten safety and those that cause undue disruption if corrected after occupancy.

The RPLO ensures the following for each deficiency whose correction can be deferred until after occupancy:

- Set a deadline for required completion.
- Incorporate the deadline as a requirement in the lease.
- Perform follow-up inspections to ensure compliance with correction requirements.
- Document performance and compliance for the lease case file.

Reject or Accept Space

During the Identify Deficiencies phase, the RPLO and the inspectors identify timeframes when certain space deficiencies are to be corrected before the USDA agency occupies the space, assuming deficiencies exist that fall under that category.

In the event that the condition of the space is such that the USDA agency cannot proceed with occupancy of the space the RPLO rejects the space and takes immediate action to address the resulting circumstances.

If the RPLO and the inspectors accept the space, USDA agency occupancy proceeds. Once the USDA agency occupies the space, the RPLO continues to work with inspectors, building managers, and other involved parties to ensure that deficiencies whose corrections were deferred until after occupancy are addressed.

3.11 Manage and Administer the Lease

Managing and administering the lease is described in the following sections:

- Lease and Payment Commencement
- Rental Cost Adjustments
- Rental Deductions
- Change of Ownership
- Assignment of Rent
- Disputes
- Determine Future Occupancy
- Advertise and Conduct Market Survey
- Perform Cost/Benefit Analysis
- Whether or not to pursue the Competitive Process
- Final Decision
- Future Options with the Current Lessor
- Other Leasing Options with the Current Lessor

3.11.1 Lease and Payment Commencement

The RPLO identifies the lease commencement date based on a combination of the lease language and/or the results of the inspection that determined if the USDA agency would proceed with occupancy of the space. Payment commencement is contingent on the lease commencement date.

Please refer to the Acceptance Date section of the USDA Leasing Handbook, Procedure after Lease is Signed chapter, for options, considerations and procedures regarding lease and payment commencement.

3.11.2 Rental Cost Adjustments

The lease or supplemental lease agreement describes the conditions for rental cost adjustments and the calculation therein. The following sections describe cost adjustment categories:

- Operating Cost Adjustments

- Tax Adjustments

Operating Cost Adjustments

Rent increases typically result from an escalation clause or clauses in the lease or supplemental agreement. On rare occasions, escalation clauses lead to rent decreases.

Escalation clauses compensate the Lessor for fluctuations in economic conditions from one period to the next. Ultimately, operating costs sustain a resulting increase or decrease based on economic fluctuation. Escalation clauses preserve the net income of the Lessor despite operating cost fluctuations.

A lease escalation clause ties to fluctuations in the Consumer Price Index (CPI). The percentage of change in the CPI triggers a requisite increase or decrease in the base operating costs (e.g. the services and utilities furnished by the Lessor) specified in the lease. The USDA agency and the Lessor must establish base operating costs prior to awarding the lease or supplemental agreement.

Items that are operating expenses subject to cost escalation include:

- Utilities
- Janitorial Services
- Building System Repair
- Building System Maintenance
- Property Protection
- Services of a building engineer for that portion of management costs devoted to the above items.

Please refer to the Rental Adjustments Section of the USDA Leasing Handbook, Lease Administration chapter, for further details regarding the CPI.

Tax Adjustments

Tax adjustment clauses in the lease or supplemental agreement usually increase rent. Tax adjustments are based on the percentage of rental building space the USDA agency occupies.

The USDA agency and the Lessor specify in the lease or supplemental agreement how the USDA agency absorbs tax adjustments. The USDA agency and the Lessor must strive to establish the impact of tax adjustment clauses prior to awarding the lease or supplemental agreement.

Please refer to the Rental Adjustments Section of the USDA Leasing Handbook, Lease Administration chapter, for further details regarding Tax Adjustments.

3.11.3 Rental Deductions

The lease or supplemental lease agreement specifies the conditions for which the USDA agency seeks a financial remedy by reducing the amount of rent paid to a Lessor in one or more months. The USDA agency pursues a rental deduction if the USDA agency identifies a performance deficiency or other circumstance requiring the attention of the Lessor that is not addressed or is addressed in an unsatisfactory manner.

The following rental deduction methods are described below in the order they are issued:

- Oral/Written Request
- Cure Letter
- Deduction Letter

Oral/Written Request

The USDA agency identifies a performance deficiency or some other circumstance requiring the attention of the Lessor. The USDA agency should contact the Lessor via a written request combined with an oral request to make corrections.

Cure Letter

The USDA agency uses a cure letter as a means to convey the course of action the USDA agency will take in the event the Lessor does not resolve the issue previously communicated through its oral/written request. If the Lessor does not correct the issue in the timeframe specified by the USDA agency, the USDA agency must notify the Lessor by preparing a cure letter.

Deduction Letter

The USDA agency uses a deduction letter to convey the circumstances under which the USDA agency makes necessary corrections and the impact the corrections cause in terms of reducing future rental payments. The USDA agency prepares a deduction letter to notify the Lessor under the following circumstances:

- Uncorrected deficiencies forced the USDA agency to correct the documented deficiencies specified in the cure letter.
- Issues endangering government property or human life forced the USDA agency to correct the documented deficiency. Under these circumstances, the USDA agency may omit the cure letter.

The USDA agency specifies the work performed, the amount deducted from future rental payment, and other relevant details in the deduction letter.

3.11.4 Change of Ownership

The USDA Leasing Handbook recommends that the RPLO observe the following minimum procedures in the event that a change of ownership occurs for the lease premises:

- Consult the Office of General Counsel (OGC) to develop a lease assignment and/or Lease Assumption Agreement that documents the expectation that all responsibilities and obligations are transitioned from the previous owner to the new owner.
- Request the completion of a Lease Assumption Agreement or similar document. A combination of the new and old owners must complete the Lease Assumption Agreement to affirm their commitment to performing Lessor duties in the future.
- Ensure that the USDA agency does not remit any further rental payments made until outstanding questions regarding the transition of ownership are answered.

See the Change of Ownership Section of the USDA Leasing Handbook, Lease Administration chapter, for more information regarding change of ownership.

3.11.5 Assignment of Rents

The Lessor may request that the USDA agency pay rent to a different party during occupancy. The USDA agency must receive written rental assignment that provides authorization to make direct payments to a designated party prior to making any changes. Rental assignment occurs for the convenience of the Lessor and must not impose an undue burden or expense on the USDA agency. No other aspect of the relationship between the USDA agency and the Lessor should change as a result of the rental assignment.

3.11.6 Disputes

Parties to the lease must resolve disputes according to the procedures identified in the Disputes Clause of the lease or supplemental agreement. The Contracts Disputes Act of 1978 (41 USC 601-613) shapes the development of the Disputes Clause procedures.

3.11.7 Determine Future Occupancy

The USDA agency must determine its course of action regarding future occupancy before the current expires.

The USDA agency must determine the following requirements before planning for a future space action:

- A continued future need for space.
- Funds are available for the future space.
- Leased space remains the best option for the USDA agency.

After the previous questions are resolved the RPLO proceeds with the following tasks:

- Determines whether the USDA agency should continue to occupy the existing space or seek alternate space to meet future USDA agency program and/or mission requirements for space.
- Identifies a key point prior to the termination of the existing lease, where the RPLO initiates the information collection process for considering a future leased space acquisition.

The RPLO begins the information collection process for considering a future leased space acquisition by performing the following tasks:

- Evaluates program and/or mission space needs to gauge how they impact requirements for future space.
- Determines the suitability of the existing space the USDA agency occupies to meet updated space requirements. For example, if the USDA agency requires additional space because of a change in program needs, the RPLO determines if the USDA agency can fill that need for additional space in the existing space occupied by the USDA agency. If it is possible to fulfill that need in the existing space occupied by the USDA agency, the RPLO solicits a price quotation for that space from the Lessor. An expansion space price quotation from the Lessor provides the RPLO with a value to compare to other future leasing options with parties other than the Lessor.

Next, the RPLO gathers information about the marketplace for alternate space by performing the following tasks:

- Advertises and conducts a market survey.
- Analyzes market survey results.
- Performs cost/benefit analysis.
- Decides whether to pursue the competitive process.
- Makes a final decision.

3.11.8 Advertise and Conduct a Market Survey

If the RPLO chooses to follow the competitive process she/he will advertise and conduct a market survey.

3.11.9 Analyze Market Survey Results

The RPLO categorizes the results of the market survey in the following ways:

- **No Results/Inadequate Results**—The RPLO receives inadequate results based on the performance of the market survey, the RPLO may pursue a future leasing option with the current Lessor.
- **Adequate Results**—The RPLO receives adequate results based on the performance of the market survey. The results provide a basis to compare other potential properties to each other and to the existing space the USDA agency occupies. If this occurs the RPLO must accomplish the following:
  - Receive price quotations on available properties to make the necessary comparisons.
  - Research and perform calculations to make comparisons between properties.
  - Ensure the lease file is updated with a written summary of price quotations that include appropriate detail. For example, the lease file should include the offeror name and address and date the RPLO received the price quotation.

3.11.10 Perform Cost/Benefit Analysis

The RPLO gathers information about the properties of each market survey respondent to facilitate the comparison between other potential properties and the existing space occupied by the USDA agency (e.g. moving costs, telecommunication costs, estimated cost of alterations to meet space requirements for either the current or potential space). Using this information, the RPLO performs a cost/benefit analysis to determine if one or more of the properties meet either of the following criteria:

- One or more respondents already presented the RPLO with an attractive alternative to the current space.
- One or more respondents could present the RPLO with an attractive alternative to the current space through the competitive process.

3.11.11 Whether or Not to Pursue the Competitive Process

Based on the results of the cost/benefit analysis, the RPLO decides to perform one of the following steps:

- Prepare a justification to negotiate with the current Lessor based on the advertising and market survey results. The justification will facilitate the exploration of any available future leasing options outlined in the existing lease.
- Pursue the competitive process.

3.11.12 Final Decision

After the RPLO completes the competitive process, the RPLO decides on one of the following options:

- Award the lease to a new Lessor to occupy alternate space in the future.
- Negotiate with the current Lessor at the conclusion of the competitive process to continue occupying the current space.

3.11.13 Future Options with the Current Lessor

The options with the current Lessor discussed in this section are contingent on the expiration of the current lease.

Prior to pursing a future option with the current Lessor, the RPLO must perform the following tasks:

- Prepare the justification to commence negotiations with the current Lessor.
- Obtain required approvals to commence negotiations.

Next, the RPLO discusses one of the following options with the current Lessor:

- **Lease Renewal Option—**Based on the results or the market survey the RPLO may choose to pursue a lease renewal if one is available in the current lease.
- **Lease Extensions—**A lease extension provides for a short-term (usually not to exceed one year) agreement with the current Lessor. It differs from a lease renewal because the extension is not part of the original lease agreement.
- **Succeeding Leases—**A succeeding lease secures continued occupancy of the lease premises without a break in continuous tenancy.

3.11.14 Other Leasing Options with the Current Lessor

Unlike the leasing options discussed in the Future Options with the Current Lessor section, the following leasing options do not necessarily require the expiration of the current lease:

- Superseding Leases
- Lease Alterations
- Expansion Space
- Space for Short-Term Use

Superseding Leases

A superseding lease replaces a prior lease before it expires. The superseding lease carries a new lease number and establishes new terms and conditions.

The RPLO should consider a superseding lease when the existing space requires significant modifications to meet the changing space requirements of the USDA agency. The RPLO must determine that the current lease provisions will not facilitate needed or desired modifications.

Lease Alterations

Generally, the USDA agency is contractually entitled to alter leased space. The RPLO must determine if each individual alteration project falls within the scope of the existing lease.

- **Alteration projects within the scope of the lease**—The RPLO may clear the way for the alteration project by adding a lease modification to the terms of the existing lease.
- **Alteration projects outside the scope of the lease—**The RPLO must acquire the alterations through a separate lease or supplemental lease agreement.

In either case, the RPLO may work with any of the following parties to construct the alterations, provided the RPLO notifies and receives approval from the Lessor to proceed:

- Lessor
- Federal employees
- Private sector construction vendors

The Lessor receives preference as the construction provider for alterations determined to be within the scope of the lease.

The RPLO must perform the following tasks prior to facilitating alterations outside the scope of the lease:

- Advertise and conduct a market survey to gauge the availability of alternate space for alteration projects determined to be outside the scope of the lease.
- Prepare a written justification based on the advertising and market survey conducted by the USDA agency.

Please refer to the Alterations section of the USDA Leasing Handbook, Special Procedures When Contracting Continued Occupancy in Leased Space chapter, for detail on contracting alteration projects

Expansion Space

Expansion space involves a need by the USDA agency to acquire additional space where the USDA agency currently resides.

The RPLO performs the following tasks regarding expansion space:

- Determine if each individual need for expansion space falls within the scope of the existing lease. Lease Scope is defined as follows:
  - **Expansion space within the scope of the lease**—The RPLO may clear the way for the expansion space by pursuing a supplemental lease agreement, only.
  - **Expansion space outside the scope of the lease—**The RPLO must acquire the alterations through a separate lease.
- Advertise and conduct a market survey to gauge the availability of alternate space for expansion space determined to be outside the scope of the lease.
- Prepare a written justification based on advertising and market survey results, and receive approval, to proceed with alteration projects determined to be outside the scope of the lease.

Leasehold Improvement Accounting Impact:

Once USDA acquires the lease and begins construction work on a leasehold improvement that meets the criteria for capitalization, agency accounting personnel create an accounting record in FFIS for the project. Construction costs are recorded in FFIS against the established project and posted to the Work In Progress (WIP) account (SGL 1720, Construction in Progress). These transactions are automatically passed and summarized from FFIS to CPAIS on a monthly basis.

Agency accounting personnel process invoices and records leasehold improvement construction costs in FFIS against the established project and posts the transactions to the WIP account (SGL 1720). These transactions are automatically passed and summarized from FFIS to CPAIS on a monthly basis.

Once construction is complete, the property management personnel mark the leasehold improvement as complete and put the property into service in CPAIS. This generates an automatic accounting entry in CPAIS, which is passed to FFIS on a monthly basis. The total costs are transferred from WIP (SGL 1720) to Leasehold Improvements (SGL 1820).

Space for Short-Term Use

Space for short-term use involves a lease-term that will not exceed 180 days. Unlike the other leasing options described in the Future Options with the Current Lessor section, the USDA agency is required to try to find government-owned space and subsequently engage in the competitive process to acquire space for short-term use. Under these circumstances, the RPLO must perform the following:

- Advertise and conduct a market survey to gauge the availability of leased space for short-term use.

- Prepare a written justification based on advertising and market survey results, and receive approval prior to acquire leased space for short-term use.

3.12 Disposal

Termination and restoration define the disposal phase of the leasing business workflow.

3.12.1 Termination

Lease termination occurs in the following ways:

- Expiration
- Termination Provision(s) in the Lease
- Negotiation
- Restoration

Expiration

USDA agency leases expire in the following ways:

- Withhold a notice of renewal.
- Allow the lease to expire.

In either case, the USDA Agencies must notify the Lessor of its intent to terminate the lease at least 30 days in advance.

Termination Provision(s) in the Lease

The USDA agency may terminate or cancel the lease based on language in the lease. The lease language specifies the conditions under which the USDA agency may terminate the lease.

Negotiation

The USDA agency negotiates with the Lessor to cancel the lease under the following circumstances:

- The USDA agency vacates the premises.
- The USDA agency does not possess the right to terminate under the lease.

The USDA agency should negotiate with the Lessor to reduce the cost of services and utility charges for the remainder of the lease term in the event that negotiations do not result in cancellation of the lease.

Restoration

Restoration requires the physical replacement or repair of the premises at the termination of the USDA agency occupancy. The USDA agency must refurbish the premises to an equivalent state when the USDA agency first occupied the leased space for all alterations that the Lessor did not perform or waive.

4 Owned Property

This chapter describes the business workflow for owned real property (e.g. Land, Buildings and Other Structures) in the United States Department of Agriculture (USDA). This chapter also cites important accounting or financial systems-related components of the USDA-owned real property business workflow in text boxes. Each box includes a procedure, policy or other discussion applicable to the accounting process for real property.

This chapter contains a synopsis of the authority, roles and responsibilities regarding USDA-owned real property in the following sections:

- Section 4.1—Overview of USDA-owned Real Property
- Section 4.2—Department and Agency Roles and Responsibilities
- Section 4.3—Real Property Roles and Responsibilities

The following four areas Planning, Acquisition, Utilization and Disposal define the real property business workflow for USDA-owned real property:

Planning—Activities that precede attempts to acquire land, buildings and other structures with ownership intent.

- Section 4.4—Plan to Acquire Real Property

Acquisition—The process of acquiring land, buildings and other structures with ownership intent. This process includes the acquisition of land, designing and bidding on construction, and the receipt of land and structures through other methods, including donations, purchases, transfers and exchanges.

- Section 4.5—Acquire Design and Construction Services
- Section 4.6—Purchase Land, Buildings and Other Structures
- Section 4.7—Receive Donated Real Property
- Section 4.8—Receive Transferred Land, Buildings and Other Structures
- Section 4.9—Exchange Land, Buildings and Other Structures

Utilization—Key business events or activities, which ensure the proper use, maintenance, and administration of owned real property.

- Section 4.10—Service, Record and Evaluate Real Property

Disposition—Method or approach taken to relinquish USDA agency control of real property.

- Section 4.11—Disposal of USDA Agency Real Property

4.1 Overview of USDA-Owned Real Property

The basic land acquisition authority for USDA agencies is found in 7 U.S.C. 428a (commonly known as the "1956 Act"). This Act provides for the acquisition of land and interests in land by purchase, exchange or otherwise, if provision is made in the applicable appropriation or other law.

In order to acquire land, buildings or other structures with the intent of ownership, the USDA agency must first observe the following general real property acquisition guidelines:

- Make every effort to occupy existing USDA-owned or leased space either by utilizing the real property inventories available to the individual USDA agency or by contacting other USDA agencies to inquire about the availability of space.
- Explore USDA agency independent leasing options, when applicable. In this instance, either the individual USDA agency or a sister USDA agency with re-delegated GSA independent leasing authority determines if they can independently meet the space need for the USDA agency.
- Make every effort to collocate with another USDA agency or government agency.

A USDA agency acquires land, buildings or other structures for purposes of agency ownership when it is unrealistic to acquire space that meets the outstanding program/mission space need using the above methodology.

4.2 Department and Agency Roles and Responsibilities

The Office of Procurement and Property Management (OPPM) performs a broad range of tasks pertaining to USDA-owned real property in support of USDA agencies that own real property.

The Office of Operations (OO) is the required point-of-contact for a USDA agency to pursue a construction project for a new building or other structure in the GSA National Capital Region (NCR).

The following list identifies the four USDA landholding agencies with the authority to purchase land, buildings and other structures and also the authority to initiate construction projects to create buildings or other structures to accomplish their program/mission:

- Forest Service (FS)
- Animal & Plant Health Inspection Service (APHIS)
- Agricultural Research Service (ARS)

- Natural Resources Conservation Service (NRCS)

Additionally, the following real property manuals have been developed USDA agencies to define procedures and requirements for receiving and utilizing real property at that particular USDA agency.

- Forest Service Manual Directive Issuance (5400 Series-Landownership)
- APHIS Real Property Management Directive (MRP 5101.1)

4.3 Real Property Roles and Responsibilities

USDA Agency—Refers to personnel at a given USDA agency that have the authority and expertise to acquire, utilize and dispose of owned real property.

GSA—Refers to GSA personnel that have the authority and expertise to facilitate the disposal of USDA-owned real property.

4.4 Plan to Acquire Real Property

This section documents the planning process that a USDA agency performs when contemplating construction for a new building, other structure or a capital improvement to an existing building.

The sections identified below discuss the planning process for new construction projects once a program need is identified that requires a new building, structure or capital improvement:

- Conduct Feasibility Study
- Approve New Construction Project
- Fund New Construction Project

4.4.1 Conduct Feasibility Study

The following details describe how the USDA agency conducts a feasibility study:

- Congress authorizes the USDA agency to perform a feasibility study to identify a potential building site or sites to address the need. The feasibility study takes into account the general requirements identified by the program area.
- The program area coordinates with the USDA agency facilities management to convey its basic requirements for addressing the congressionally recognized need for newly constructed space (e.g. type of space, square footage requirements, desired location).

- The USDA agency performs a feasibility study to identify the feasibility of constructing a building on a pre-selected site or to identify several potential building sites if one has not already been identified.

4.4.2 Approve New Construction Project

Congress approves the construction project for a new building or other structure by granting the USDA agency the authority to proceed with the construction project. The corresponding appropriations bill communicates to the USDA agency the Congressional approval for the new construction project.

4.4.3 Fund New Construction Project

Congress may approve the funding all at once or over a period of years. In either case, the USDA agency uses congressionally approved funding to perform the tasks associated with the construction project.

Accounting Impact:

Agencies enter FFIS procurement documents to reserve and authorize the payment of funds for a project. The USDA agency obtains the correct accounting codes and processes the FFIS document.

4.5 Acquire Design and Construction Services

This section documents the acquisition of design and construction services for a landholding USDA agency, undertaking a construction project. It provides detail for each of the following design and construction tasks:

- Select a Facilities Site
- Acquire Site for New Construction
- Design and Bid
- Develop Program of Requirements
- Perform and Monitor Construction
- Close out Construction

4.5.1 Select a Facilities Site

The USDA agency performs a feasibility study to identify potential sites or to confirm pre-selected sites meet the USDA agency needs. Site selection exemplifies what a USDA agency must consider for any given aspect of the USDA owned property business workflow in terms of Federal Statutes and Executive Orders.

A USDA agency must consider the mandates of a broad range of Federal Statues and Executive Orders prior to taking a specific course of action for a task relating to owned real property. Agency property personnel should be knowledgeable of the current and most recent Federal Statutes and Executive Orders.

The USDA agency must comply with the following Federal Statute and Executive Orders prior to selecting a site:

- **Rural Development Act of 1972**—Requires Federal agencies to give first priority to rural areas in locating facilities.
- **Executive Order 12072 (Federal Space Management)—**Requires that first consideration be given to locating Federal facilities in urban areas within central business districts.
- **Executive Order 13006 (Locating Federal Facilities on Historic Properties in our Nations Central Cities)—**Requires that first consideration be given to locating Federal facilities in historic properties within historic districts when operationally appropriate and economically prudent.

4.5.2 Acquire Site for New Construction

The USDA agency either obtains a long-term private lease or purchases the real estate to build on. In the case of a long term lease the lease should stipulate the process of disposing of the property once the lease term is complete.

Note: The Purchase Land and Other Structures section details the process of purchasing real estate.

USDA Capitalization Policy:

USDA agencies must capitalize owned real property, under the following circumstances, as described in Departmental Regulation # 2200-002: Property, Plant and Equipment:

1. All land and interest on land, regardless of value, cost or purchase price
2. All other USDA real property assets when their useful life meets both of the following conditions:
   - Two or more years
   - Acquisition cost or established value, when the USDA agency constructs, receives by donation, or obtains the asset through other agency activities, is $25,000 or greater
3. Any major improvement or betterment of an existing capitalized asset, provided both Conditions #1 and #2 described above are met, and the asset action accomplishes the following:
   - Increases asset value
   - Extends asset useful life

All other projected costs that do not meet the specifications discussed above are USDA expenses and should be recorded as such.

Capitalization Example:

Do we capitalize all phases of a project if each project is funded separately and at least one phase is less than threshold?

For example: Phase 1: $18,000 charged to job code A.

Phase 2: $20,000 charged to job code B.

Phase 3: $50,000 charged to job code C.

In this example, each phase comes after the first phase.

In one scenario, the intent was that all 3 phases will be done, if money exists for the next phase when the first phase is complete.

In the second scenario, Phase 1 was funded by one unit, Phase 2 was funded by another, and Phase 3 was funded by another.

In each of the above scenarios the project is capitalized, regardless of where the money comes from or what the phase order is. All costs incurred in order to place an asset into place are capitalized. The total cost for threshold purposes is regardless of funding source.

Accounting Impact:

Once USDA acquires the land, the land asset details are recorded into CPAIS by property management personnel with the proper security profile. If the land meets the criteria for capitalization, a subledger is established in CPAIS for the land by accounting personnel and thus creates a unique asset identifier (UAI). The UAI is automatically passed from CPAIS to FFIS on a nightly basis.

Once USDA acquires the land and begins construction work, agency accounting personnel create an accounting record in FFIS for the project. Construction costs are recorded in FFIS against the established project and posted to the Work In Progress (WIP) account (SGL 1720, Construction in Progress). These transactions are automatically passed and summarized from FFIS to CPAIS on a monthly basis.

Note: Land is not a depreciable asset and it retains its value until disposal.

4.5.3 Design and Bid

The USDA agency performs the following tasks during the design and bid phase for a construction project of a new building or other structure:

- Performs required Federal surveys (e.g. geological survey).
- Moves to comply with all Federal acts that govern design and construction of a Federal building (e.g. National Historic Preservation Act).
- Begins the procurement process to acquire design services (e.g. Architectural and Engineering (A&E) services) for the facility
  - Performs one of the following tasks to acquire design services:
    - Makes use of existing agency Indefinite-Quantity Contracts (IQC) with established A&E firms.

      Note: Contracting officers may use an IQC when the government cannot predetermine, above a specified minimum, the precise quantities of supplies or services that the government will require during the contract period, and it is inadvisable for the government to commit itself for more than a minimum quantity. The contracting officer should use an indefinite-quantity contract only when a recurring need is anticipated.
    - Issues a separate Request for Proposal (RFP) for facility design services.
- Negotiates the terms of the facility design services contract.
- Awards contracts for facility design services.
- Ensures design contractors complete facility designs.
- Issues an RFP for facilities construction services.
- Negotiates the terms of the facility construction services.
- Awards the facilities construction contracts.

- Issues an RFP for a construction management firm.
- Awards the construction management contract.

Accounting Impact:

If a site has been acquired, a project has been established in FFIS previously. Agency accounting personnel record pre-construction costs in FFIS against the established project and post the transactions to the WIP account (SGL 1720). These transactions are automatically passed and summarized from FFIS to CPAIS on a monthly basis.

If no site has been acquired, a new construction project is established in FFIS. Agency accounting personnel record pre-construction costs in FFIS against the established project and post the transactions to the WIP account (SGL 1720). These transactions are automatically passed and summarized from FFIS to CPAIS on a monthly basis.

4.5.4 Develop Program of Requirements

The USDA agency develops a Program of Requirements (POR) document to identify specific needs that must be met in the final structure. POR examples include equipment needs, specific square footage required for key sections of the building and the number of required support personnel who will staff various key sections of the building.

4.5.5 Perform and Monitor Construction

The USDA agency performs the following tasks during the actual construction period:

- Coordinates with construction management firm to ensure compliance with the construction schedule for the duration of the construction project.
- Addresses ad-hoc needs of the construction project (e.g. acquisition of easements for electricity pole and cable placement).
- Performs traditional tasks such as approving contractor payments.
- Coordinates with the construction management firm to inspect the site on a continuous basis.
- Prepares list of deficiencies based on the results of the successive inspections.

Accounting Impact:

Agency accounting personnel process invoices and records construction costs in FFIS against the established project and posts the transactions to the WIP account (SGL 1720). These transactions are automatically passed and summarized from FFIS to CPAIS on a monthly basis.

4.5.6 Close out Construction

The USDA agency performs the following procedures to close out the construction project:

- Performs a completion inspection with the involvement of a construction management firm to determine acceptance of the property.
- Reconciles the list of deficiencies and identifies the circumstances under which the USDA agency will accept the facility.
- Relocates and officially begins occupancy.

Accounting Impact:

Once construction is complete, the property management personnel mark the asset as complete and put the property into service in CPAIS. This generates an automatic accounting entry in CPAIS, which is passed to FFIS on a monthly basis. The total costs are transferred from WIP (SGL 1720) to Land and Land Rights (SGL 1711), Improvements to Land (SGL 1712), or Buildings, Improvements & Renovations (SGL 1730), or Other Structures/Facilities (SGL 1740), as appropriate.

When recording road costs an agency may choose to pool the assets and costs in SGL 1712 and capitalize them annually.

4.6 Purchase Land, Buildings and Other Structures

The USDA agency must ensure that the following occurs to purchase land, buildings, and other structures:

- Compares the benefits and costs of purchasing land as opposed to leasing land when existing properties in the USDA agency real property inventory will not suffice or a collocation partner cannot be found.
- Acquires services of a title examiner.
- Ensures that the title examiner produces a preliminary title report for use by the appraiser and negotiations with the seller of the property.
- Acquires services of an appraisal examiner.
- Ensures that an appraisal is performed for each parcel, tract or other real property.
- Prepares a Statement of Just Compensation, which:
  - Identifies the percentage of ownership interest the USDA agency is pursuing in each individual building, parcel of land, structure or other real property.

    - Indicates those items that the USDA agency will require removal of on the property as a condition of ownership.
    - Justifies the USDA agency purchase offer for the property of interest based on the title work and property appraisal.
- Provides the Statement of Just Compensation to the property owner.
- Negotiates with property owner based on Statement of Just Compensation.
- Obtains approval from the property owner to complete the sale.
- Prepares a sales contract specifying all terms and conditions vital to property acquisition (e.g. when the property owners will vacate the premises, negotiated purchase price, and circumstances under which payment will occur).
- Obtains signatory approval from the seller.
- Ensures the preparation of the deed to the property.
- Obtains required Federal, State and Local government approval for the deed to the property.
- Ensures that final title assembly and title clearance occurs.

Accounting Impact:

Once land and/or structures are acquired the asset details are recorded into CPAIS by property management personnel with the proper security profile. If the asset meets the criteria for capitalization, a subledger is established in CPAIS for the land and/or structures by accounting personnel and thus creates a unique asset identifier (UAI). The UAI is automatically passed from CPAIS to FFIS on a nightly basis. The accounting transaction processed in FFIS increases the Land and Land Rights account (SGL 1711), the Buildings, Improvements & Renovations account (SGL 1730), or the Other Structures/Facilities account (SGL 1740), as appropriate.

4.7 Receive Donated Real Property

A USDA agency must comply with the Gift Acceptance Policy, Departmental Regulation 5200-003 when land, buildings or other structures are donated.

The following definitions apply to donations and gifts:

- **Donations/Gifts**—Property voluntarily transferred to the government without compensation or consideration, or for substantially less than market value, to benefit the USDA agency in carrying out its functions.
- **Devise**—A gift, made through a will consisting of real property.

The USDA agency performs the following tasks to receive, use and dispose of a real property donation/gift or devise:

- Receives a gift acceptance letter from the real property donor.
- Depending on the real property value, obtains approval from the designated USDA agency approval chain.
- Communicates acceptance or rejection to the donor in writing.
- Secures title clearance from the USDA Office of General Counsel (OGC) before final acceptance of the donation/gift.
- Annually reports to OPPM and Departmental Administration donations/gifts of real property received.
- Uses the donation/gift of real property in a manner consistent with the terms and conditions determined by the donor and USDA agency as part of acceptance of the property or the statutory authority granted the USDA agency as part of its mission.
- Disposes of the donation/gift of real property in a manner consistent with the terms of the property acceptance and Departmental Regulation 5200-003.

Accounting Impact:

Once property management personnel with the proper security profile receive donated land and/or structures, the asset details are recorded into CPAIS. If the asset meets the criteria for capitalization, accounting personnel establish a CPAIS subledger for the land and/or structures and thus creates a unique asset identifier (UAI). The UAI is automatically passed from CPAIS to FFIS on a nightly basis. The accounting transaction processed in FFIS increases the Land and Land Rights account (SGL 1711), the Buildings, Improvements & Renovations account (SGL 1730), or the Other Structures/Facilities account (SGL 1740), as appropriate.

4.8 Receive Transferred Land, Buildings and Other Structures

USDA agencies acquire excess real property via transfer from GSA. A transfer is the acquisition of real property whereby another entity confers ownership of real property to a USDA agency with the authority to own real property.

GSA manages the transfer for the majority of excess real property through the authority of the Federal Property and Administrative Service Act of 1949.

A USDA agency acquires excess land, buildings or other structures controlled by GSA through the following process:

- Receives notifications from GSA regarding the availability of excess real property made available by other Federal entities.
- Notifies OPPM of their interest in a particular excess real property.
- OPPM coordinates with GSA to ensure the following occurs:
  - Confirms excess land, building or other structure availability.
  - Provides all information necessary regarding the intended USDA agency usage of the land to enable GSA to conclude the land, buildings or other structures will be best used by the USDA agency.
  - Conveys the amount of reimbursement the USDA agency will compensate GSA for the land buildings or other structures.
  - Ensures the USDA agency reimburses GSA.
  - Ensures completion of the land, building or other structure transfer to the USDA agency.
- Requests an excess real property transfer from GSA directly, provided the excess real property the USDA agency requested does not involve land.

Accounting Impact:

Once transferred land and/or structures are received, property management personnel with the proper security profile record the asset details into CPAIS. If the asset meets the criteria for capitalization, accounting personnel establish a CPAIS subledger for the land and/or structures and thus creates a unique asset identifier (UAI). In the meantime the transfer is recorded in FFIS as work in progress (SGL 1720). The UAI is automatically passed from CPAIS to FFIS on a nightly basis. The accounting transaction processed in FFIS then decreases the WIP transaction (SGL 1720) and increases the Land and Land Rights account (SGL 1711), the Buildings, Improvements & Renovations account (SGL 1730), or the Other Structures/Facilities account (SGL 1740), as appropriate.

4.9 Exchange Land, Buildings and Other Structures

A real property exchange involves the substitution of real property owned by a USDA agency and real property owned by another party. As a result, an exchange involves both an acquisition and a disposition of real property.

OPPM and GSA both facilitate exchanges of owned real property between a USDA agency and the following:

- Private Party
- Other Landholding USDA agencies
- Non-USDA agencies

Exchange of Real Property with a Private Party

Either GSA or the USDA agency, whichever is acting as the disposal agency, must make every effort to dispose of surplus real property by making it available to State and Local government organizations or nonprofit organizations or seeking some other disposal action with a greater mission or program benefit prior to exchanging the property for private property.

Accounting Impact:

Once exchanged-in land and/or structures are received, property management personnel with the proper security profile record the asset details into CPAIS. If the asset meets the criteria for capitalization, accounting personnel establish a CPAIS subledger for the land and/or structures and thus creates a unique asset identifier (UAI). The UAI is automatically passed from CPAIS to FFIS on a nightly basis. The accounting transaction processed in FFIS increases the Land and Land Rights account (SGL 1711), the Buildings, Improvements & Renovations account (SGL 1730), or the Other Structures/Facilities account (SGL 1740), as appropriate.

The exchanged-out land and/or structures are accounted for in the same manner as disposed assets as described in the accounting impact box of the Disposal of USDA Agency Real Property section.

4.10 Service, Record and Evaluate Real Property

A USDA agency must manage, operate and maintain USDA-owned property inventories in a manner that provides for quality space and services consistent with its operational needs and accomplishes overall government objectives.

A USDA agency must accomplish its mission, while complying with Federal, State and Local Regulations, Codes and Standards governing land or facilities management.

A USDA agency that owns property performs the following tasks:

- Operate Buildings
- Maintain Land and Structure Information
- Perform Utilization Survey

4.10.1 Operate Buildings

Buildings operated by USDA agencies must be each of the following:

- Cost effective and energy efficient.
- Adequate to facilitate agency mission accomplishment.
- Meet nationally recognized standards.
- Maintained at an appropriate level to maintain and preserve the physical plant assets consistent with available funding.

A USDA agency that owns a building provides the following facilities management services:

- Occupancy Services
- Real Property Maintenance and Improvements
- Occupant Emergency Program

In certain instances a USDA agency may allow other agencies to occupy part of its owned space, a process called collocation. This process is common and increases efficiency. When agencies collocate, the costs of joint use areas and services are split between the collocating agencies normally based on occupied square footage.

The Corporate Property Automated Information System (CPAIS) will maintain collocation information. Interested parties should refer to the CPAIS Online help for detailed information on how to record collocations in CPAIS. CPAIS determines the amounts allocated to joint use based on the percentage of square footage that each sharing agency uses. In addition, the calculations consider joint and individual agency spaces of the property. To record collocation costs in CPAIS, an agreement is established to enter these costs and a tenant bill is created.

Occupancy Services

USDA agencies are responsible for managing and administering any agreements or contracts and controlling the delivery of occupancy services.

Occupancy services are defined by the delivery of the following services and programs:

- Building Services
- Concession Services
- Conservation Programs

If an agency is operating a building where space is being shared and a tenant has moved out of the building, no longer occupies any space, and no other tenant is identified to take its place, then the tenant will be removed in CPAIS. If a new tenant is scheduled to replace the vacating tenant, this information can be updated in CPAIS.

Building Services

Building services are services required for the operation, maintenance, appearance, occupant accessibility, occupant security, and mission fulfillment pertaining to a USDA-owned building.

A USDA agency determines the applicable building services for a given building based on a wide range of factors, including:

- Location
- Property size
- Building age
- Number of occupants

The following list provides examples of building services:

- Custodial services
- Heating and cooling services
- Solid waste management services
- Landscaping and grounds maintenance services
- Snow removal

Concession Services

Concession services are food or snack services provided by a commercial vendor, Randolph-Sheppard Act-certified vendor, or nonprofit organization.

A USDA agency must ensure the provision of concession services (e.g. vending machines, snack bars, and cafeterias), when the following criteria apply:

- Need justifiable based on population of occupants for the building.
- Availability of commercial food services in or outside of the building considered inadequate to meet occupant need.
- Sufficient funds are available to absorb costs for the installation and continued maintenance of the vending facilities.
- The vending enterprise can support itself.

A USDA agency requiring vending services must perform the following general actions:

- Obtain a State-licensed permit to establish, operate and maintain vending facilities on federal property.
- Give preference to Randolph-Sheppard certified-vendors when procuring vending services to comply with obligations stipulated under the Randolph-Sheppard Act.

Note: The Randolph-Sheppard Act requires that licensed blind vendors be authorized to operate vending facilities on any Federal property.

- Coordinate with the state vending facilities licensing group, as needed, to maintain and renew the vending permit.

A USDA agency that owns a building must comply with the vending facilities guidelines and policies set forth in Real Property FMR, Subchapter C, Part 102.74-Facility Management, 102-74.45-102-74.95.

Conservation Programs

Conservation programs are programs that improve energy and water efficiency and promote the use of solar and other renewable energy.

A USDA agency must establish conservation programs that promote and maintain the following effectively:

- Source reduction activity (e.g. reducing consumption of resources such as energy, water, and paper)
- Resource recovery activity (e.g. obtaining materials from the waste stream that can be recycled into new products)
- Reuse activity (e.g. reusing same product before disposition, such as reusing unneeded memos for scratch paper)

It is particularly important for a USDA agency to comply with the energy conservation guidelines and policies set forth in the following documents:

- 10 Code of Federal Regulations (CFR) part 436
- Energy Conservation Policies cited in Real Property FMR, Subchapter C, Part 102.74-Facility Management, 102-74.155-102-74.200

Real Property Maintenance and Improvements

USDA agency real property maintenance and improvements involves repairs and alterations necessary to maintain, preserve or enhance the value of a building, other structure or its attendant facilities to the extent that available funding will allow.

A USDA agency must ensure that maintenance and improvements are provided for buildings and other structures under USDA control to achieve the following:

- Continue efficient building operations.
- Extend the useful life of buildings and related building systems.
- Provide a safe workplace environment.
- Provide a quality workplace environment.
- Enhance employee productivity.

Property maintenance and improvements are segregated into the following tiers:

- **Minor Repairs and Improvements—**occur as a normal course of building operations and do not require significant planning or funding to undertake and complete
- **Capital Improvements—**Capital improvements involve alterations or modifications to an existing building or other structure. Capital improvements are discussed in the Acquire Design and Construction Services section.

> **Accounting Impact:** Minor repairs and improvements are not capitalized. Invoices are paid and accounting personnel expense amounts directly in FFIS.

<u>Occupant Emergency Program</u>

A USDA agency must designate an individual with the responsibility of developing, implementing and maintaining an occupant emergency plan for all building occupants.

The USDA agency must perform the following duties in conjunction with all building occupants:

- Establish an Occupant Emergency Organization whose members include representatives of all building occupants and other appropriate groups.
- Provide emergency program policy guidance.
- Review plans and organizations annually.
- Assist in training personnel on the occupant emergency plan.

The USDA agency also must comply with the guidelines and policies set forth in Real Property FMR, Subchapter C, Part 102.74-Facility Management, 102-74.230-102-74.260.

4.10.2 Maintain Land and Structure Information

As part of maintaining the land and structure information agencies periodically calculate depreciation and validate the depreciation schedule. In addition, CPAIS is updated with any changes to the property.

> **Accounting Impact:**
>
> As soon as the property is operational in CPAIS, depreciation is automatically initiated based on the mid-year convention (i.e. June 30th) of the service calendar start year. CPAIS automatically passes the depreciation entries to FFIS on a monthly basis. (As noted previously land is the only real property which is not depreciated.) The depreciation entry increases the related accumulated depreciation account, which is a "contra" account to the asset account and effectively reduces the value of the property (e.g. SGL 1730 Buildings, Improvements & Renovations has a balance of $100,000 and SGL 1739 Accumulated Depreciation Buildings, Improvements & Renovations has a balance of $20,000. The net book value of the Buildings, Improvements & Renovations is $100,000 less $20,000 or $80,000).

Perform Periodic Inventory

The USDA agency must quantify the amount of owned real property it controls on an annual basis. The USDA agency performs the owned real property inventory to meet the GSA reporting requirements regarding the Federal Real Property Profile (FRPP) Report submission.

4.10.3 Perform Utilization Survey

A USDA agency with a controlling ownership interest in a property conducts a survey to determine how well the USDA agency utilizes the property.

The USDA agency must consider the following to determine property utilization:

- Current agency needs
- Future agency needs
- Property location

When a USDA agency concludes that the utilization for a given property is less than optimal, the USDA agency determines the feasibility of achieving full utilization for that property. If the USDA agency determines that it is not feasible to fully utilize the property the USDA agency will need to determine if it wishes to declare the property as excess.

Real Property FMR, Subchapter C, Part 102.75-Real Property Disposal includes guidelines on determining if the USDA agency should declare the property in excess of agency needs.

4.11 Disposal of USDA Agency Real Property

The following sections discuss the methods available to dispose of USDA-owned real property:

- Disposal by Transfer
- Disposal by Exchange
- Disposal by Donation
- Disposal by Sale

General Disposal Accounting Impact:

Property management personnel with the proper security profile mark the property for disposal in CPAIS. CPAIS then automatically passes FFIS the disposal entries on a monthly basis. The entry removes the asset and all related accumulated depreciation, records compensation received with the disposal, and the difference can either be (1) a gain, (2) a loss, or (3) no related gain or loss. Examples of each are described below:

(1) Example of a gain: A 10 year old $100,000 building which has been fully depreciated is sold for $2,000. The net book value of the building is $0 ($100,000 less $100,000 accumulated depreciation). The compensation is $2,000 and the gain is $2,000.

(2) Example of a loss: A 5 year old $100,000 building, which has $50,000 accumulated depreciation is abandoned. The net book value of the building is $50,000 ($100,000 less $50,000 accumulated depreciation). The compensation is $0 and the loss is $50,000.

(3) Example of neither: A 10 year old $100,000 building which has been fully depreciated is abandoned. The net book value of the building is $0 ($100,000 less $100,000 accumulated depreciation). The compensation is $0 and there is no gain or loss.

4.11.1 Disposal by Transfer

The USDA agency performs the following tasks to dispose of owned real property by transfer:

- Completes the Standard Form (SF) 118, Report of Excess Property
- Provides the SF 118 to OPPM

OPPM performs the following actions to pursue an alternate use for the owned real property:

- Determines if one of the other landholding USDA agencies can use the real property
- Reassigns the land or other real property to the interested recipient landholding USDA agency. The recipient USDA agency does not reimburse the original owner of USDA agency excess.

The following process occurs when OPPM cannot identify an alternate use for the owned real property:

- OPPM provides the SF-118 to the appropriate GSA regional office for further disposition.

4.11.2 Disposal by Exchange

Please refer to the Exchange Land, Buildings and Other Structures section for further details regarding a USDA agency real property exchange.

4.11.3 Disposal by Donation

A USDA agency must coordinate with OPPM to obtain GSA concurrence to donate real property to other Federal, State or Local government organizations.

4.11.4 Disposal by Sale

Forest Service remains the only USDA agency granted the legislative authority to sell owned real property. Various legislative acts allow Forest Service to retain and use the proceeds from the sale of owned real property.