

Agency Priority Goal Action Plan

Leased Building Operations

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Theme: General Government

Overview

Goal Statement

- GSA will generate savings for taxpayers by negotiating 55% of the lease office space agreements at or below market rates in FY 2018 and FY 2019.

Challenge

- GSA strives to be below commercial office space leasing market rates for every transaction, yet it can be difficult to do so with the complexities of the Government marketplace.

Opportunity

- Negotiating leases below market costs results in cost savings for customer agencies and the American taxpayer.
- Cost avoidance in rent can be reallocated by agencies to mission delivery services to the public.

Goal Structure & Strategies

GSA will achieve lease cost savings for the American taxpayer by successfully executing the following strategies.

- o Engaging in longer lease terms to encourage more favorable market rates. Longer lease terms support more favorable opportunities for the lessor, and therefore GSA is able to attain a more favorable rate.
- o Increasing the use of the force multiplier tools, both the Automated Advanced Acquisition Program (AAAP) and the GSA Leasing Support (GLS) services contract, to maximize staff resources, increase competitive advantage, and ultimately, to increase lease replacement rates.
- o Improving the planning process to ensure timely replacement of expiring leases. Timely replacement increases GSA's leverage, which means more favorable rental rates and fewer costly lease extensions.
- o Implementing a National Portable Warrant Program within GSA to more efficiently utilize GSA's leasing workforce, allowing GSA to better balance workload across the nation.

Summary of Progress – Q2 FY 2018

- At the end of the second quarter of FY 2018, GSA negotiated 45 percent (145 out of 321 transactions) of leases at or below market rates, a decrease from Q1 FY 2018 results. In Q2, a greater number of transactions were in highly price-competitive markets, diminishing this quarter's performance.
- To improve performance, GSA continues to focus on increasing usage of longer lease terms, increasing the use of force-multiplier tools such as AAAP and GSA, and implementing training on tools and policies which contribute to cost savings.

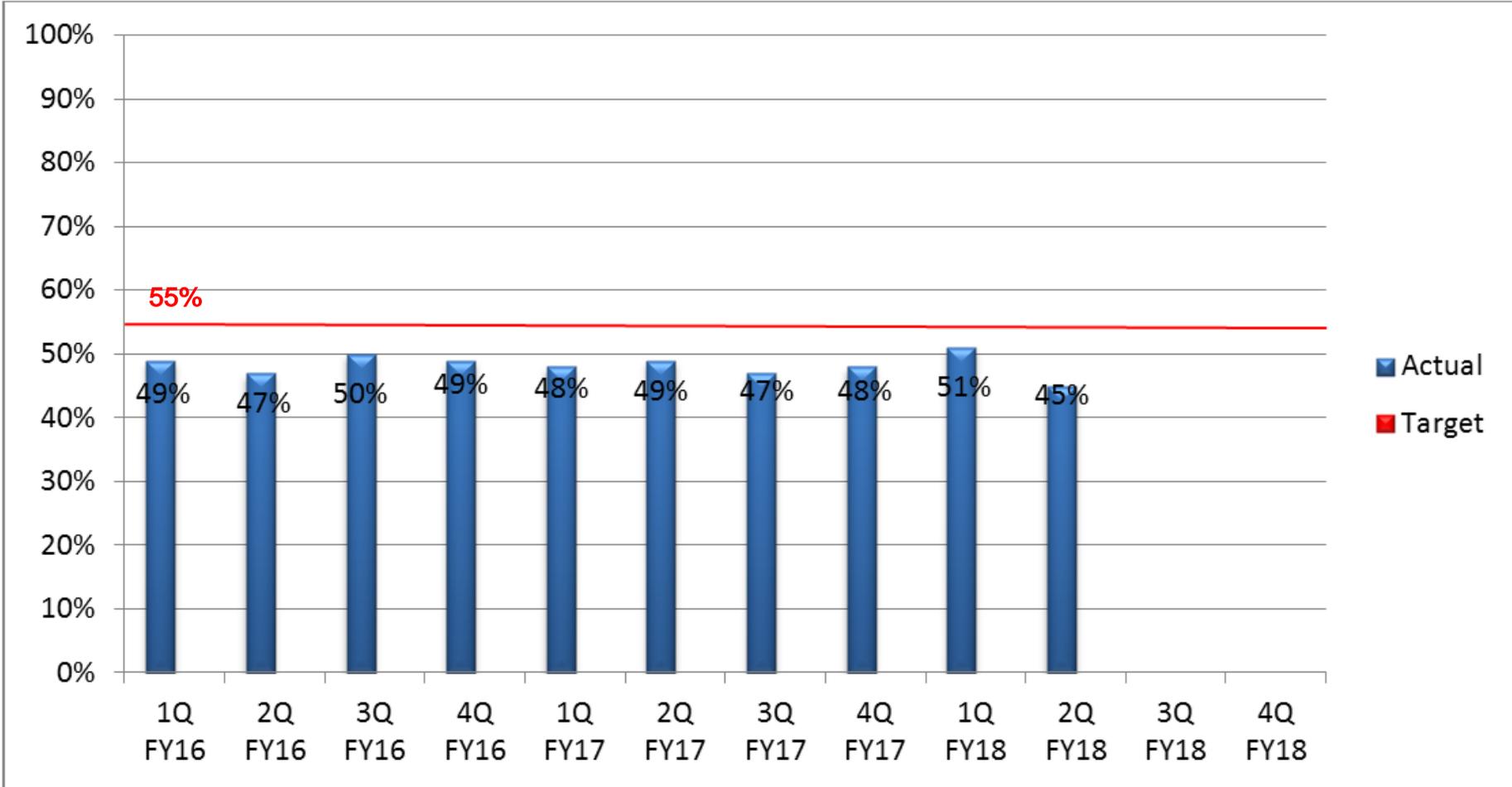
Key Milestones

Fostering, developing, and implementing our core strategies will require process re-engineering, change management, and knowledge management projects and initiatives. Below are the key milestones that will enable us to achieve our goal of reducing leasing costs.

Key Milestone	Milestone Due Date	Milestone Status	Comments and discussion of progress, changes from last update, anticipated barriers, or other issues related to milestone completion
Increase utilization targets for AAAP and GLS	Q1 FY 2018	Complete	FY18 targets were implemented for each region based on the projected workload. Targets were increased from FY 2017 to further emphasize the use of these tools. When performance was lagging in Q1, GSA further increased these targets in Q2.
Implement a lease term decision matrix to guide the usage of longer lease terms in leases	Q1 FY 2018	Complete	A new decision matrix was developed and implemented in FY18 to increase the usage of longer lease terms which leads to more favorable rates. The guidance was developed, disseminated, and training was provided to the leasing community nationwide. Use of longer term leases is monitored monthly.
Review regional lease cost savings plans	Q3 FY 2018	On-track	GSA is reviewing each region's plan to replace expiring high-value leases. In these reviews, GSA is focusing on increasing the use of the tools, procuring longer lease terms, and getting timely requirements; resulting in rates below market and cost savings to the American taxpayer and Customer agencies. Currently 4 of the 11 regions have been reviewed.
Implement the National Warrant Program	Q3 FY 2018	On-track	GSAM Class Deviation 2018-02 and Leasing Alert 2018-02 to provide operational guidance to facilitate the management of National Leasing Warrants were issued. National Leasing Warrants are being issued in three phases with the first two phases already completed and the third phase to be completed by May 2018.
Measure AAAP and GLS usage against FY18 targets	Q4 FY 2018	On-track	GSA is making progress towards the annual goals. These measures will be achieved in FY 2018.
Implement training on cost savings strategies	Q4 FY 2018	On-track	GSA has implemented a robust training program for the leasing community to aid in achieving its goals. A national training on longer lease terms was held in January. Training on market rates and FY18 measures is scheduled this fiscal year, in addition to other relevant training on tools and policies that aid in achieving cost savings.

Key Indicators

By enhancing operations, GSA strives to increase the percentage of lease transactions that are at or below market costs. Exceeding the target line of 55% means that GSA is generating greater cost savings and achieving the goal.



Data Accuracy and Reliability

Method

GSA will compare the Net Present Value (NPV) of GSA lease actions to the NPV of a market lease modeled with the GSA lease terms but using market rates. Market rates will be based on the GSA-produced Bullseye Report, which incorporates market information. The NPVs will be compared to determine the percentage above or below market of the GSA deal. To be included in this metric, a transaction must be primarily office space and in a major market. Currently about 40 percent of lease transactions are covered under this metric.

Data Sources

- Real Estate Across the United States (REXUS): PBS Real Property Inventory System
- GSA Real Estate Exchange (G-REX): PBS Lease Acquisition System
- Occupancy Agreement Tool (OA Tool): web-based application for creating occupancy agreements for client agencies
- Bullseye: a market analysis report for a specific requirement
- Market data sources from commercial real estate companies

Additional Information

Contributing Programs

Customer agencies in space leased by the Public Buildings Service contribute to the success of this measure. By providing timely requirements with lease terms and delineated areas that encourage competition, they enable GSA to be in a position to negotiate the most favorable rates compared to market.