ISSN 1553-9571

SUMMER 2013 VOL. 9, NO. 2

GOVERNMENT LEASING NEWS

A QUARTERLY NEWSLETTER FOR OWNERS, MANAGERS AND DEVELOPERS OF GOVERNMENT-LEASED PROPERTY

Editor's Welcome!

The continued explanation of HUD's new Rental Assistance Demonstration (RAD) program that starts on page 3 was selected by Government Leasing News as the featured article for two reasons: the program reflects an opportunity for developers to develop, investors to invest, and lenders to provide financing for significant numbers of Government-sponsored real estate projects, nationwide.

But that's not the only reason: the RAD demonstration, if successful, shows one way in which a Federal agency can undertake large-scale modernization efforts for converting or replacing aging, functionally obsolescent Federal properties that is revenue neutral and adheres to a No Net New policy. The program is so new that the rules are being written and revised as activity proceeds apace.

There will be a third article in this series in the next issue of the Newsletter, and the National Federal Development Association (NFDA) hopes to conduct a special session on the RAD program and how to get in on it as part of its annual conference in the fall in Washington DC. See the announcement on page 13 for further information.

For readers involved with or following the relocation of the FBI headquarters building, please read the article by Pat Keogh of AMV, LLC on the market-based approach he presents starting on page 9. You may agree or disagree with various aspects of his paper, but Government Leasing News would like to hear from you as to what you think of the approach described. Send your comments to Dennis Eisen at *dennis@governmentleasingnews.com* with the subject line "Letter to the Editor." Comments will be considered for publication in subsequent issues of the Newsletter.

I was very much impressed with a recent presentation by representatives of the CompStak company on their crowd sourced approach to leasing comps, which I believe may have a significant impact on the manner in which due diligence is conducted in commercial real estate, including both private- and public-sectors. A brief summary of the technique and history of the firm is on page 28. If you haven't seen the system in action, please note that the company will be presenting it at the fall meeting of the NFDA, so don't miss the opportunity to see it demonstrated on November 6-7.

In this Issue

Notable and Newsworthy

As Government Leasing News went to press, HUD's Office of Public and Indian Housing issued Notice PIH-2012-32 (HA), REV-1 on July 2, 2013, containing the final regulations for the Rental Assistance Demonstration program that is the featured article in this issue. The Notice is 230 pages long and can be downloaded from www.HUD.gov using the keyword PIH-2012-32. An additional article on the subject is planned for the Fall issue of Government Leasing News. In the meantime, the final regulations for the RAD program add greater flexibility to it, as outlined below:

–Allows multi-phased development to facilitate financing assemblage;
–Allows for a Portfolio Award for a set of projects;
–Locks in FY 2012 rent levels for applications submitted in calendar 2013;
–Lets PHAs adjust subsidy and contract rents across multiple projects;
–Expands eligibility of HOPE VI projects;
–Eliminates the caps on awards to PHAs and to Mixed-Finance projects;
–Lets PHAs to apply for joint RAD//Choice Neighborhoods Awards; and
–Exempts RAD projects from scoring under the Public Housing Assessment System.

Given the revenue neutrality of the RAD program, we anticipate that the initial nationwide conversion award limit of 60,000 units that expires by year-end 2013 will be tripled to an award limit of 180,000 units next year. The RAD program and its development opportunities will be part of the fall meeting of the National Federal Development Association.

Editorial Staff

Challenges in Public Housing
HUD's New RAD Program – Part II

by Jaime Bordenave, The Communities Group
and Peter Shanley, Phoenix Park Associates

I. Introduction

As readers of the public housing series of Government Leasing News are aware, the public housing program is uniquely, but not quite rationally financed. This was not the intention of the creators of the original program but a response to various crises addressed by Congress over a period of decades. All of the fixes have involved additional federal funding from a number of differing financial sources. This may no longer be possible, as these public properties are unusually old by the standards of rental housing, and the inability to establish reserves for replacement, coupled with the inadequacy of capital funding for improvements, has resulted in significant long-term disinvestment. On top of that, in the current economic circumstances the government is experiencing, additional federal funding is a very unlikely option.

The original funding for the program was simple. Federals funds were provided to Public Housing Authorities (PHAs) to purchase land and construct affordable housing under the condition that they would be utilized for that purpose for a number of decades. This understanding was formalized by a Declaration of Trust on each property, which had the effect that the federal government maintained its status as the sole mortgagee.

From the inception of public housing in 1937 until 1968, public housing rents needed to cover the basic operating costs. In 1968, Congress passed the Brooke Amendment, which limited the amount of rent paid to a percent of income (originally 25%, and later raised to 30%, where it stands currently). This had the effect of limiting the ability of PHAs to maintain the physical condition of the housing. Also in 1968, Congress began to appropriate an operating subsidy, and a limited Capital Improvement Assistance Program (CIAP) available to all PHAs.

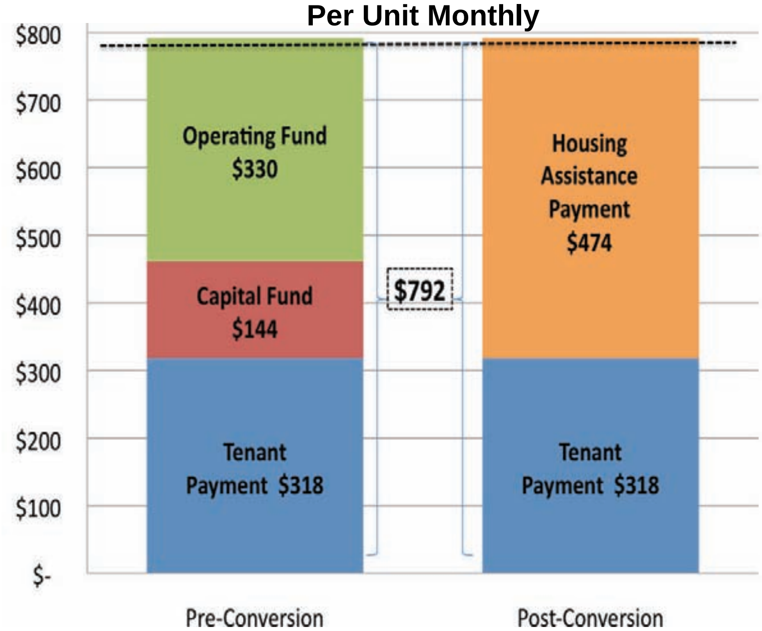
In 1990, the Capital Grant Program was established for PHAs with 500 or more units (later lowered to 250 units), with the balance of authorities continuing with the CIAP Program. In 1998, the Capital Fund Program was established which provides funds to all PHAs on a formula basis. This funding was helpful, but not sufficient to meet the backlog of needs for capital improvements—which today exceed $26 billion.

These reforms had the effect of extending the Declaration of Trust almost indefinitely, which meant that the properties as they are legally constituted are effectively unable to obtain private financing.

II. The Basic RAD Program

This situation may well be about to change. HUD has instituted what it has named the *Rental Assistance Demonstration* (RAD) program, which initially permits PHAs to bundle their existing subsides for up to 60,000 units. These subsidies will be converted into Housing Assistance Program (HAP) payments, as shown in the chart below, and administered just as under HUD's Section 8 project-based programs. The figures shown reflect the nationwide public housing average in 2012.

Sample Public Housing Conversion
Per Unit Monthly



HUD's New RAD Program–Part II (cont'd)

(Continued from page 3)

This will essentially convert the rental units to project-based rental housing and quite importantly will remove the Declaration of Trust, thus enabling PHAs to seek alternative methods of financing the properties. This will permit PHAs much needed flexibility in organizing their real estate inventory without excessive federal involvement in the day-to-day management of their housing.

Although the federal portion of the funding remains identical—which means that there will be no added cost to the United States Treasury—there will be the possibility of attracting additional financing, especially through the sale of low-income tax credits for the immediate improvement and reconfiguration of the properties, which will very likely make them significantly less expensive to maintain and manage.

As an added benefit, the rental units will now become assets of a privately owned financing and management structure in which all partners will have a vested interest in the management of the property as well as a fiduciary responsibility for assuring that the debt is repaid in accordance with the according to the terms and conditions of the governing agreements. This is a radical change for public housing but is routinely employed by a great number of housing authorities with respect to their project-based Section 8 units.

III. Potential Benefits of RAD

The potential benefit of all this is shown in Table 1, below, which reflects a pro-forma financial analysis of a 322-unit multifamily project being considered for the RAD program. It clearly shows the economic advantages of financing that project's rehabilitation needs.

As is noted in the table, the privatization of the various developments per unit will permit the agency and its various partners to acquire nearly $18,600 in

(Continued on page 5)

Table 1: Financial Projections for a 322-unit Conversion under the RAD Program

Business As Usual (per unit)		
Capital Funds--20 Years (discounted at 6%)	$13,857.00	
Cash flow--20 Years (not discounted)	$734.40	based on 95% occupancy
Capital Funds + Cash flow -- 20 Years	**$14,591.40**	
Rental Assistance Demonstration (per unit)		
Supportable Debt--FHA Insured	$18,578.00	
Tax Credit Equity (bonds/4%)	$16,523.00	
Subtotal: Debt + Equity per unit	$35,101.00	
% Available for Hard Costs		70%
Available for Hard Costs		$24,570.70
Initial Capital Needs with 10% Contingency		$10,918.00
Less Pay-off other Debt		$2,795.00
Surplus (Gap)		$10,857.70
Contributions to Reserves per unit--20 years	$5,000.00	
Cash flow--20 Years	$3,828.20	
Total Capital, Reserve, Cash flow	**$43,929.20**	
Ratio of RAD to Business as Usual	3.01	

HUD's New RAD Program—Part II (cont'd)

(Continued from page 4)

FHA insured debt and receive slightly over $16,500 in non-competitive 4% tax credits. Each project's needs will vary of course, but the bottom line is that as a result of the private financing the units will now have a replacement reserve and schedule for the first time since they were constructed. This will enable better maintenance schedules and adoption of preventative activities rather than responding to emergency measures as situations arise. In this case the projected benefit is observed to be over three times what it would be if the Housing Authority remained on its current path of "business as usual."

An even more dramatic example may be viewed in Table 2, below, for the Mixed Finance Model. During the HOPE VI period, HUD encouraged PHAs to blend public housing units with other tax credit apartments and market rate units as a way to serve their public purpose and financially support the new development.

As is readily seen, the RAD cash flow that was established in Table 1 is now twelve times that which would be derived from placing public housing units under the existing financing system in mixed income developments. In essence, the other units are subsiding the public housing (ACC) units and the ACCs are not contributing to the replacement reserve at all. This will have major consequences over time.

One item in Table 1 that needs clarification is the $2,795 figure labeled *Less Pay-off of other Debt.* Since the Declaration of Trust forbids additional debt on the property, we point out that for the past several years HUD has permitted PHAs to borrow against a percentage of their expected future subsidy revenues, such that debt service is less than 33% of their annual capital grant at the time of the borrowing. If the funding was not invested prudently in the properties it simply reduced the funds available for future needs. So at the very time when needs are increasing the funding is diminishing, as illustrated in Table 3, on the following page. This is a perverse result as this debt is on all of the Housing Authority's future subsidies. The effective privatization of public housing units by means of the RAD program would, however, effectively eliminate this type of hazard as there will be many additional interest-holders in any deal, all of whom will need to have their interests guarded.

IV. The RAD Process

When the RAD process begins there will be a *RAD Use Agreement* produced so as to provide that any mortgage liens would be subject to the agreement and will survive foreclosure and bankruptcy. The Use

(Continued on page 6)

Table 2: Comparison of RAD Unit to Mixed Finance Public Housing Unit

	20-years	Annual
RAD Unit--20-year Cash flow	$3,828.20	$191.41
RAD unit Contribution to Reserves (per unit)	$5,000.00	$250.00
Total	**$8,828.20**	$441.41
Typical ACC Unit in Mixed-Finance		
20-year Cash flow	$734.40	based on 95% occupancy
Contribution to Reserves	$0.00	
Total	**$734.40**	
RAD Improvement Over ACC in Mixed-Finance (per unit)	$8,093.80	$404.69
Ratio of RAD to Mixed-Finance Public Housing	12.02	

HUD's New RAD Program–Part II (cont'd)

(Continued from page 5)

Agreement will also guarantee that the property will be used for low-income housing for the term of the HAP agreement and any extensions (forty years under the PBRA program). There will be many parties to the deals, all of whom having a common interest of seeing that the project is successful and remains available to serve low-income households. Assuming that both debt and tax credit equity are involved, there will be a lender, an equity investor, a guarantor/developer, HUD (if it is a HUD-insured loan), the PHA and the State Housing Finance Agency (HFA). Each party will monitor the project to make sure their own investment is being safeguarded, and that the property is well maintained and well managed for the maximum benefit of the residents and investors. Each project will be audited annually, the HFA will monitor tax credit compliance, and the general partners (including the Housing Authority and Developer) and management company will provide for asset management oversight. Additionally, the lender will provide for a debt service coverage ratio that assures that there is positive cash flow. A project-based reserve for replacements is provided, and in most cases there will be a general operating reserve as well. These private sector approaches to asset protection are much more robust than HUD's current oversight of public housing.

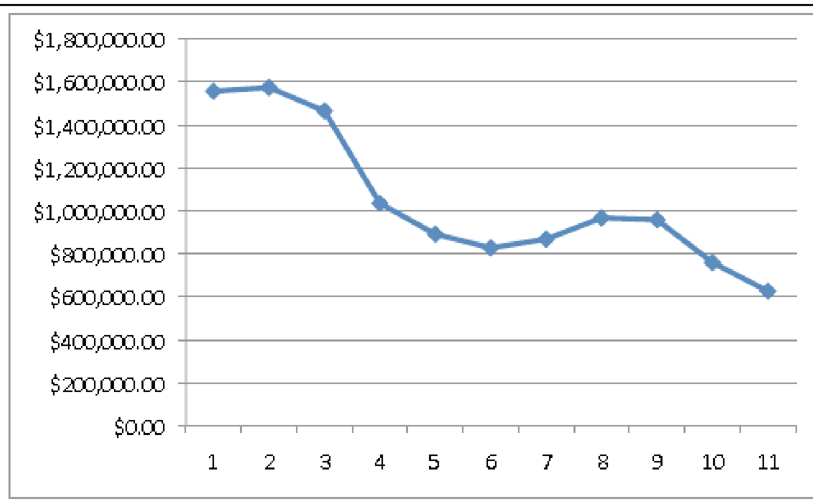
There will also be other possible benefits to the private sector modeling and management of the public housing real estate portfolio. Most PHAs have buildings in a variety of conditions and with a variety of needs. Some may have been totally remodeled recently and others may well be hopelessly compromised, and there will be other units between these two extremes. Because of this, a Physical Conditions Assessment will be required as part of the overall transaction prior to closing. Although similar assessments are required by HUD, such assessments are of greater importance under the RAD program because of the number of participants and private financing involved.

It is to be noted that newly remodeled units could be converted under the RAD program without any debt— thus providing additional cash flow to the housing authority. In other cases, severely deteriorated or obsolete buildings could have their Housing Assistance payments transferred to other, more suitable structures and those compromised buildings removed from inventory without going through the current laborious and

(Continued on page 7)

Table 3: Capital Funding Availability 2002—2012

Year	Net Capital Funding 2002-2012
2002	$1,556,189.00
2003	$1,573,872.00
2004	$1,464,755.00
2005	$1,035,338.00
2006	$891,830.00
2007	$828,008.00
2008	$868,498.00
2009	$967,559.00
2010	$958,511.00
2011	$759,634.00
2012	$626,972.00
2013	



Net Capital Funding available after debt service on Capital Fund Financing, which began in 2005.

HUD's New RAD Program—Part II (cont'd)

(Continued from page 6)

lengthy process currently required by HUD.

One other benefit of the RAD program is that candidate buildings will be evaluated based on conventional real estate practices and on a return-on-investment model. This is not a common PHA practice because inventory is viewed as "fixed" and housing authorities are heavily judged on the basis of vacancy rates, which often leads to "investment" in the most dubious loss-leader units, which results in a disinvestment for the inventory as a whole. This has a negative effect not only on bottom line results but on the standard of living for the tenants as well. With RAD, any housing authority can more easily balance its portfolio and apply financial resources where they can do the most good.

The process of applying for conversion under the RAD program is relatively simple but PHAs will now be provided with new partners and have strict timelines to meet before the process is complete. After a housing authority applies for RAD, and has received a commitment from HUD to enter into a contract for Housing Assistance Payments (called a CHAP), there is a period of at least six months to perform due diligence and put all of the legal documentation and financial plans together, obtain detailed plans and specifications, and construction cost estimates, and move toward a financial closing. It is at that Closing that the transaction is finalized, and all parties, including the housing authority, will be represented by legal counsel, who will review documents and provide advice on any legal issues that arise. Any time prior to the closing, the housing authority can withdraw from the program without penalty, important protection for the PHA should circumstances change. Nonetheless, the knowledge gained from merely going through the process would instruct

(Continued on page 8)

HUD's New RAD Program–Part II (cont'd)

(Continued from page 7)

any PHA as to its assets and the deficiencies in the inventory which will have to be rectified in the future in any case.

V. RAD Summary

With the *Rental Assistance Demonstration* program housing authorities, for the first time since the inception of the public housing program, will be granted a measure of flexibility in governing their properties. They will have options, and having options will make it easier for them to finance, manage and serve the residents of their dwellings, which is their mission.

Jaime Bordenave is the President of The Communities Group, a District of Columbia based firm with over 30 years of development, consultation and planning in assisted and public housing. The firm specializes in strategic planning, financing, tax credits and urban planning. For further information, please call Mr. Bordenave at 202-667-3002 or 202-669-6597/cell or via email to bordenave@thecommunitiesgroup.com.

Peter Shanley is the principal of Phoenix Park Associates and is the Associate Editor of Government Leasing News. You may contact Mr. Shanley at 301-947-1957 or via email to pshanley@comcsat.net.

Editor's Note: At the present time, the final regulations for the Rental Assistance Demonstration program are still being finalized, containing changes to the origina text and adding greater flexibility to the program. There will be an additional article on the subject in the Fall issue of Government Leasing News.

A Market-Based Approach to the Procurement of the New FBI Headquarters

by Patrick J. Keogh, President, AMV, LLC

I. Introduction

In early March 2013 AMV, LLC responded to GSA's Request for Information for a new FBI headquarters. GSA had in mind using the value of the existing headquarters to offset the cost of a replacement facility. Good idea. In concept, it is what any major user would try to accomplish. We understand GSA received some 35 responses to the RFI but the silence since then has been deafening. We would have thought something would have happened by summertime, if only to expose the various approaches proffered to public discussion. Hearing nothing we thought it might be helpful to summarize the AMV, LLC proposal.

II. Basic Principles

The AMV proposal recommended that the government's approach embraces the following four principles which represent a departure from the current federal real estate paradigm:

1. The public private partnership should engage the market using more progressive procurement tools. The government correctly identifies this initiative as a partnership between private and public sectors. The government should then select the best partners to go into business with. The object of their search should be "who" will serve as the best partner. To do that, the government should abandon the typical prescriptive solicitation and procurement tools like an RFP. In its place, the government should use Requests for Qualifications (RFQ). The partners will work together in an open-book process to create the business plan that will serve the public's purpose and accomplish the private partners' business objectives. That's how partnerships work.

2. The partnerships' business plans will define the authority needed. This undertaking will be most successful if all involved focus on creating the ideal public solution rather than attempting to fit a solution into a preexisting set of boxes. Current authorities will not best serve the public's interest. The partners must tailor solutions and authorities to best fit this unique opportunity.

3. Relationships should be incentive based to the maximum extent. Compensation should be mostly based on the success of the enterprise. Principals should be compensated more for results and less for work. That's how private development works. Developers earn their role and fees based on the value they create.

4. The government needs professional development representation in conducting procurements, structuring transactions and administering development. The government must be represented by the same kinds of development professionals as will be engaged by their private partners. That means engaging private legal counsel not only skilled in the law but also well versed in the standards for business practice in the field. Government council needs to focus on the matters at which they excel; insuring the integrity of the process and enforcement of public policies and values. Financial advisors will be necessary to advise the public partner not only on the available financial solutions but the risks and costs associated with each. Real estate and development advisory services will be required to opine on the reasonableness of the standards of practice recommended by their private partners.

III. Recommended Approach to the FBI Headquarters Project

With those guiding principles in mind let us outline the multi-step approach that was recommended to the government.

A. The government should issue Requests for Qualifications (RFQ) for two developer partners; one for the redevelopment of the existing headquarters property and one for the new headquarters. Prospective developer partners would not detail a proposal but rather proffer their qualifications and experience to serve as the government's partner. Responses would include a discussion of compensation expectations.

B. The government should then embark on two

(Continued on page 10)

Procurement of the New FBI Headquarters (cont'd)

(Continued from page 9)

independent but related business planning processes with their selected developer partners.

C. The business planning process should start with rounding out the development partnership teams for each project including RFQ-based competitive procurements for other team members like architects, construction managers and such specialists as may be required and recommended by the developer partners. These competitive procurements should be led by the developer partners and overseen by the public partner. Specialists include, for example, one or more brokers to help in locating and structuring the acquisition of sites for the new headquarters, as well as for marketing of the to-be-redeveloped downtown property.

D. Procurements for team members, including the developer partners, should be designed on an earn-in basis. That is, the government should minimize any payment to team members during the planning process. Team members should be compensated from the project financing when the project is authorized and funded. As earn-ins, the deals will be structured to reward success.

E. Once in place, the two development teams should embark on a planning process to detail a coordinated program for the two properties including project concepts and budgets.

F. The business plan for the existing headquarters property should be focused on redevelopment plans and the process involving local officials and prospective tenants. A principal purpose of the process will be to derive and maximize the likely value that can be expected from the redevelopment of the existing headquarters property. The property's value will largely be a function of the development plan and the anticipated tenancies.

G. The business plan for the new headquarters should be focused on site location, as well as concepts and a budget for the new facility.

H. As development plans for both properties evolve, financial advisors to the two development partnerships should be working on engineering the necessary financial structures to give effect to the plans. Financial structures will include both the equity and debt components of the financing. To do so, financial advisors will have to access markets on an ongoing basis to market and price both deals to investors.

I. The business planning process should be as "open book" as practical. This is particularly necessary so as to engage the many and diverse constituencies that must be involved to insure timely approval and authorization of the projects.

J. As the business plans for each project take shape the authorizing authorities for the deals must be briefed and their input solicited in fine-tuning the final terms of the plan and required authorization(s).

K. The business plan should then be finalized outlining such matters as:

a. The program and concepts for the new headquarters and development plan for the former FBI headquarters property.

b. The anticipated value to be derived from the recommended development and disposition plan for the former headquarters property. In addition, the government should consider in its planning a broader based "balance sheet" financing for the new headquarters. That is, the business plans should consider adding other underperforming assets as capital contributions to meet the funding requirements of the new headquarters. That way, there is no need to limit the government's equity contribution to the cost of the new headquarters to the value of the existing property.

c. The final acquisition strategy and cost associated with the site acquisition for the new headquarters.

d. The budget and recommended financing approach with federal budget scoring analysis for the new headquarters and the means for crediting the value derived from the former headquarters.

e. The business structure and terms among the various parties to the partnerships.

f. The schedules for the implementation of both plans.

g. The authorizations required to implement

(Continued on page 11)

Procurement of the New FBI Headquarters (cont'd)

(Continued from page 10)

the plans including, for example:

i. Zoning and other local support required for the downtown redevelopment;

ii. Funding and any other authorities necessary to implement the financing for the new headquarters, including the use of any proceeds derived from the disposition of the former headquarters and other properties.

L. Once the necessary enabling authorities are in place the partnerships would proceed to final documentation, financing, design completion, construction and commissioning.

M. Given the size, scope and entrepreneurial nature of the project, it is likely that the Administration and Congressional authorizing committees will want to review the detailed business structure involved prior to implementing the deal agreed to by the public and private partners.

IV. It's Been Done Before

The process outlined above sounds complicated mostly because it is different than the way GSA typically works with the private sector. But it has all been done before and by the federal government and under circumstances similar to those now confronted by the FBI. The process is actually based on the United State Postal Service's practice during the 1980s and 1990s. Washingtonians need look no further than the former Washington Central Mail Handling Facility adjoining Union Station. The USPS working with their private developer partner, Hines, created the enormously successful Postal Square just north of the US Capitol. The USPS put the property into the deal and Hines provided the development expertise that led the creation of the business plan that proved so lucrative to the USPS. The USPS saw an opportunity similar to that existing with the existing FBI facility. That is, an underperforming asset from which value could be derived. In the Postal Square case the USPS derived considerable amounts of capital and also helped create the new home of the US Postal Museum.

Similar deals were structured as public private partnerships by the USPS around the country. Government Leasing News outlined the USPS process in an article entitled "*Capitalizing on the Government's Excess Property,"* by James T. Coe, Philip E. Wilson and Keith E. LaShier, in Vol. 9, No. 1 (Spring 2013).

The National Institutes of Health worked with the USPS to deploy the Postal Services public-private partnering process on a number of projects, most recently the NIH Bayview Research Center on Johns Hopkins' East Baltimore campus. That $250 million, privately financed leased deal was developed on land leased from Johns Hopkins. The Bayview project and process was the subject of a Government Leasing News article entitled "*The NIH Bayview Research Center — A New Model for Lease-Construction,"* by Patrick J. Keogh, in Vol. 4 No. 2 (Summer 2008).

In our response to the RFI we told the government that we believed the process employed by the USPS and NIH offered the best opportunity for meeting the FBI's needs at the lowest cost. But it will be a challenge to the government because it is based on employing new, more business friendly tools. It also will require more business friendly representation on the public side of the partnership. The AMV team consists of former legal, financial and development advisors to the USPS and NIH. Our response to the RFI included our offer to provide those advisory services to GSA and the FBI should they choose to pursue this public private partnering approach.

Patrick J. Keogh is the President of AMV, LLC in Reston, VA, and Fernandina Beach, FL. AMV holds a GSA schedule contract to provide public-private partnering, legal, real estate and development consulting services. He has served in a variety of development positions with GSA, including financial manager of GSA's privately financed development program (1971-1975) and program manager of the agency's privately financed build-to-suit program (1988-1994). Before forming AMV he served with Al Gore's Reinventing Government Office specializing in real estate issues. He can be reached at 703-790-8471 or via email to pkeogh1@comcast.net.

HR 695: The Civilian Property Realignment Act

On April 14, 2013, Representative Jeff Dedham (R-California) introduced a HR 695, a revised version of the Civilian Property Realignment Act which had previously submitted as HR 1734. The bill would decrease the deficit by realigning, consolidating, selling, disposing, and improving the efficiency of Federal buildings and other civilian real property, and for other purposes. The main purposes of the bill would be to:

(1) to consolidate the footprint of Federal buildings and facilities;

(2) to maximize the utilization rate of Federal buildings and facilities;

(3) to reduce the reliance on leased space;

(4) to sell or redevelop high value assets that are underutilized to obtain the highest and best value for the taxpayer and maximize the return to the taxpayer;

(5) to reduce the operating and maintenance costs of Federal civilian real properties through the realignment of real properties by consolidating, co-locating, and reconfiguring space, and other operational efficiencies;

(6) to reduce redundancy, overlap, and costs associated with field offices;

(7) to create incentives for Federal agencies to achieve greater efficiency in their inventories of civilian real property;

(8) to facilitate and expedite the sale or disposal of unneeded civilian properties; and

(9) to assist Federal agencies in achieving the Government's sustainability goals by reducing excess space, inventory, and energy consumption, as well as by leveraging new technologies.

You can bring up the full text of the bill by going to *www.govtrack.us*, selecting Bill Text and then clicking on Read Bill Text. You can compare the text of HR 695 against the old version by clicking on Compare this bill to another and then selecting HR 1734.

The National Federal Development Association Announces its Fall 2013 Meeting November 6 – 7, Washington, DC

The National Federal Development Association (NFDA) is a non-profit professional association of real estate practitioners from the private and public sectors who are committed to improving the state of the art in Federal real estate practice.

The focus of the fall meeting will include an overview of the Government real estate market; the impact of sequestration and No Net New directives; progress in footprint reduction; modernization efforts in aging Federal properties; mixed-use development as an alternative to lease-construction; improving lease comps in Federal real estate; progress reports on disposition of excess civilian and military properties; outreach efforts for real property sales and support services; status reports on the FBI headquarters relocation; progress in energy reduction in Federal buildings; and recent issues and nuances in the OMB and CBO scoring rules. We may not be able to cover all these topics within the limited time span of a two-day meeting, but we'll try.

In addition, there will be a networking session where members can meet and greet, discuss business plans, seek venture partners, and explore subcontracting opportunities. If at all possible, there will also be a tour of the progress on the expansion and modernization of the GSA headquarters building and that agency's plans for similar renovations in the future.

A draft agenda will appear in the fall issue of Government Leasing News that will be published on or about the first week of October. The final agenda will be forwarded to all registrants by November 1st.

***When*:** Wednesday/Thursday, November 6–7, 2013

Where: The AIA Building at 1735 New York Avenue NW (across the street from GSA headquarters at 1800 F Street)

***Registration*:** Mandatory, with preferential seating for NFDA members, To join (or renew membership in) NFDA and to register for the conference, call NFDA Headquarters weekday mornings at 813-712-4609. Do not delay in registering for this event because the conference room at last year's annual meeting was filled to capacity.

Cost: $495 for NFDA members; $650 for non-members. Call for Government rates.

Contact: For program information call Dr. Dennis Eisen, *NFDA Executive Vice President* at 301-762-1441 or email to *deisen@nfda.us,* or call Theo Bell, *Conference Committee co-chair,* at 202-262-0361.

Website: The Association's Website at *www.nfda.us* is undergoing extensive expansion and improvements, and will be back online sometime this summer.

Hotels in Downtown Washington DC

The hotels listed on this page are among the dozens in Washington DC that are within a one-mile walk (or short cab ride) of GSA headquarters at 1800 F Street NW. Many hotels in downtown Washington can approach full occupancy during October/November timeframe due to the numerous association meetings being held those months in the nation's capital. If securing lodging seems problematical, use the following site to search for accommodations in both Washington and nearby locations in suburban Maryland and Northern Virginia:

http://www.washingtondchotels.com

Best Western Georgetown Hotel & Suites
1121 New Hampshire Avenue NW
1-202-457-0565
www.bestwesternwashingtondc.com
Distance from 18th & F: 0.76 miles

Capital Hilton
1001 16th Street NW
1-202-393-1000
www.hilton.com
Distance from 18th & F: 0.68 miles

Club Quarters
839 17th Street NW
1-202-463-6400
www.clubquarters.com/loc_washingtonDC.php
Distance from 18th & F: 0.38 miles

Embassy Suites Hotel
1250 22nd Street NW
1-202-857-3388
www.embassysuites.com
Distance from 18th & F: 0.91 miles

Fairmont Hotel
2401 M Street NW
1-202-429-2400
www.fairmont.com
Distance from 18th & F: 0.99 miles

Hay-Adams (The)
800 16th Street NW
1-202-638-6600
www.hayadams.com
Distance from 18th & F: 0.50 miles

Hotel Lombardy
2019 Pennsylvania Avenue NW
1-202-828-2600
www.hotellombardy.com
Distance from 18th & F: 0.42 miles

Mayflower (The)
1127 Connecticut Avenue NW
1-202-347-3000
www.marriott.com/hotels/travel/wassh-the-mayflowerrenaissance
Distance from 18th & F: 0.60 miles

Marriott-Gogerty
1775 I Street NW
1-202-822-2188
www.gogertymarriott.com
Distance from 18th & F: 0.49 miles

Marriott Residence Inn
1199 Vermont Avenue NW
www.marriott.com/hotels/travel/WASDC
1-202-898-1100
Distance from 18th & F: 0.91 miles

Melrose Hotel (The)
2430 Pennsylvania Avenue NW
1-202-955-6400
www.melrosehoteldc.com
Distance from 18th & F: 0.65 miles

One Washington Circle Hotel
One Washington Circle NW
1-202-872-1680
www.thecirclehotel.com
Distance from 18th & F: 0.65 miles

Park Hyatt Washington
24th & M Streets NW
1-202-739-1234
www.parkwashingtonhyatt.com
Distance from 18th & F: 0.91 miles

Quincy (The)
1823 L Street NW
1-202-223-4320
www.thequincy.com
Distance from 18th & F: 0.62 miles

Renaissance M Hotel
1143 New Hampshire Avenue NW
1-202-775-0800
www.marriott.com/hotels/travel/WASRW
Distance from 18th & F: 0.82 miles

Ritz-Carlton Washington
1122nd Street NW
1-202-835-0500
www.ritzcarlton.com
Distance from 18th & F: 0.77 miles

River Inn
924 25th Street NW
1-202-337-7600
www.theriverinn.com
Distance from 18th & F: 0.93 miles

St. Gregory Luxury Hotel & Suites
2033 M Street NW
1-202-530-3600
www.capitalhotelswdc.com/StGregoryHotelWDC_com/index.htm
Distance from 18th & F: 0.82 miles

St. Regis (The)
923 16th Street NW
1-202-638-2626
www.starwoodhotels.com/stregis/property/overview/index.html
Distance from 18th & F: 0.61 miles

State Plaza Hotel
2117 E Street NW
1-202-861-8200
www.stateplazahotel.com
Distance from 18th & F: 0.49 miles

Washington Marriott
1221 22nd Street NW
1-202-872-1500
www.marriott.com/hotels/travel/WASWE
Distance from 18th & F: 0.88 miles

GSA's Evolving Automated Advanced Acquisition Program

Government Leasing News last reported on GSA's Automated Advanced Acquisition Program (AAAP) in the Winter 2005 issue, shortly after the newsletter began. The program was originally created for the purpose of consolidating and streamlining the leasing process for a large volume of small leases as well as procuring space faster to its customer agencies. AAAP has now evolved into a multiple award platform that handles general office space requirements ranging from 5,000 square feet up to the prospectus threshold (approximately 60,000 to 70,000 square feet). Use of the AAAP has been restricted up to now to GSA's National Capital Region (NCR), and is only now being extended to GSA's outlying regions, starting with the Region 4 (Atlanta) office, where it was rolled out in mid-April 2013.

How it Works

Offers can be submitted to the AAAP system through GSA's Website at *www.gsa.gov/AAAP* at any time during the open period from the 1st through the 7th of the month. Once the open period ends, offers are ranked according to present value to the Government, taking into account base rent, operating costs, interest on tenant improvements, construction markups, HVAC overtime and free rent. Awards are made through the AAAP to the lowest-priced technically acceptable building. The AAAP can be used to fill a specific vacancy on an immediate basis but prospectively as well, so as to build up large inventories of spaces available to the Government with leases of either a 5-year firm term, a 5-year firm term with a 5-year option, or a 10-year firm term, all at pre-negotiated rates with pre-negotiated terms and conditions. The program thus uses a pre-competed inventory of properties to meet the space requirements for various government agencies, obviating the need to advertise, negotiate with offerors, and evaluate final offers, thus shortening the leasing process considerably.

Technology Advances

AAAP capitalizes on the efficiencies of technology to enable GSA to effectively evaluate this higher volume of offers. This includes the use of Geographic Information System (GIS) technology to automatically evaluate and rank offers that meet the Government's location and space requirements. AAAP also employs electronic signature technology, in the form of a six-digit self-select personal identification number (PIN), to enable building owners to update existing online offers or submit new ones. Without the electronic signature and the automatic evaluation process, GSA would spend weeks reviewing the terms and conditions of paper lease offers that it received to make sure that they were consistent with the Request for Lease Proposal (RLP). Technological efficiencies as these permit GSA to reduce offer submission and evaluation time from weeks to days, resulting in a more efficient lease process, less costly acquisition of real property lease assets and improved customer satisfaction by delivering space faster to its customer agencies.

Intake Procedures

A property owner and/or broker develop an Offeror Profile and register accordingly. To register online go to *https://aaap.secure.force.com/AAAP*. Once an RLP is developed by GSA and issued, the property owner/broker identifies properties or space for potential consideration, develops an offer for each of the properties or spaces they would like GSA to consider, and submits the offer to GSA through the AAAP system. Points to be borne in mind:

–Property owners can submit offers on more than one potential property or space in response to an RLP.

–Offerors may enter/change/withdraw any offer during the Open Period, which is the 1st through the 7th day of each month.

(Continued on page 16)

The Automated Advanced Acquisition Program (cont'd)

(Continued from page 15)

–Note that Offers can ONLY be modified during the Open Period.

–Offers automatically carry forward Month-to-Month unless modified or withdrawn by the Offeror or the RLP is Replaced by the AAAP staff.

–Offerors are not perrmitted to modify the RLP and/or general clauses/attachments, and base rents must be flat, without escalations of any kind.

–Lessors whose leases are expiring within the timeframe indicated in the RLP will be automatically notified that the AAAP announcement is the competitive forum for that expiring lease.

Evaluation of Offers

Evaluation of offers and space selection is initialized only after the Open Period has closed. As the first step, the AAAP system identifies all offers that meet the individual requirements, including that of Delineated Area, Amount of Space, Length of Lease Term, and Agency-Specific Requirements.

The AAAP system then calculates the Net Present Value (NPV) of offers, based upon cost parameters submitted by Offeror, including Base Rate, Base Year Operating Costs, for tenant improvements, HVAC Overtime Rate, Daytime Cleaning Rate, Concessions, Number of months free rent (if any), and Broker Commission Rebate (if any).

AAAP then rank-orders by Price all Technically Acceptable offers, from lowest to highest. GSA staff then conduct due diligence on the offer with the lowest NPV offer such to ensure that that best price offer meets all requirements; if it does not, GSA staff will conduct due diligence on the next best offer and continue the process till the best one meeting all requirements is identified. Lease award is made only upon

(Continued on page 22)

Public Service Announcement

General Services Administration Leasing Division
Vendor Partnering & Outreach Event

Do you have commercial real estate space available to lease in Texas, New Mexico, Arkansas, Louisiana, or Oklahoma? Are you a Building Owner, Leasing Agent, Developer, Commercial Real Estate Broker, or an Owner's Representative interested in leasing commercial space to the Federal Government? If so, please join us for our Vendor Partnering & Outreach Event.

WHEN: August 29, 2013 from 1:30 pm - 3:30 pm
WHERE: Fritz G. Lanham Federal Building at 819 Taylor St., Room 4A14H, Fort Worth, TX 76102

Knowledgeable Federal leasing professionals will present information on how to lease your space to the Federal Government, specifically the basics of Federal lease procurement. Learn how to position yourself for Federal Leasing opportunities, direct to your email address. Hear about GSA's National Broker Contract and what it means to you.

Registration is free. Please contact Yvette Barnes at r7vendorpartneringandoutreach@gsa.gov. Space is limited so don't delay!

GSA
General Services Administration
Public Buildings Service
Leasing Division
Fort Worth, Texas

The GSA Real Estate Exchange (G-REX)

GSA is on the cusp of launching its G-REX system to manage its close to nine thousand leases. Once operational it will allow the agency more flexibility in how it handles complicated lease terms and move several functions to smart phones and tablets. The agency transitioned from paper leases to e-filing several years ago, but it wasn't keeping up with changes GSA was making to its lease process. The agency's Public Building Service has been working on G-REX for close to one year, which will help coordinate the 200 some odd processes for putting together leases for over 30 different types of users.

G-REX is an acronym for GSA Real Estate Exchange. G-REX is the major PBS Office of Leasing initiative that is to have replaced eLease by late Spring 2013. G-REX is a mission critical system that requires a leasing specialist to perform essential lease procurement tasks to award a lease as well as perform post occupancy services consistent with National policy and guidance, alignment with gPM principles of project management/scheduling/task completion, and provides vital lease and productivity data collection for future lease process improvement.

G-REX Benefits

-Provides consistency in the customer requirements development process and project delivery.
-Leverages project management principles by supporting concepts such as team roles, task assignments, and task ownership.
-Guides the user through lease model specifications.
-Increased response time to policy changes with system enhancements, reducing the overall cost of implementing these changes.
-Capitalizes on existing PBS IT assets with integration of information systems for seamless exchange, reduction in data input, and increased data accuracy.
-Automates document generation for items such as project schedules, acquisition plan, lease file checklists, RLP/Lease, and Present Value Analyses (PVA's).
-Supports electronic file management and digital routing and approvals.

For further information, contact the G-REX Project Manager Maria Torres, PBS Office of Leasing, 1800 F St. NW Washington, DC via email to maria.torres@gsa.gov or call 202-501-1469.

The G-REX System

G-REX represents a shift to a more consistent National standard in the system lease process and policy, transparency within our workforce, and an adaptable/flexible configuration that easily changes to meet our leasing needs. On the front end, G-REX is an interactive leasing partner that manages end-to-end lifecycle of leasing transaction, from identification of customer space requirements to closing of a lease. On the back end G-REX has a powerful and robust system platform that uses business process software for business efficiency and effectiveness.

The Government Real Estate Index (FY 2013 Q2)

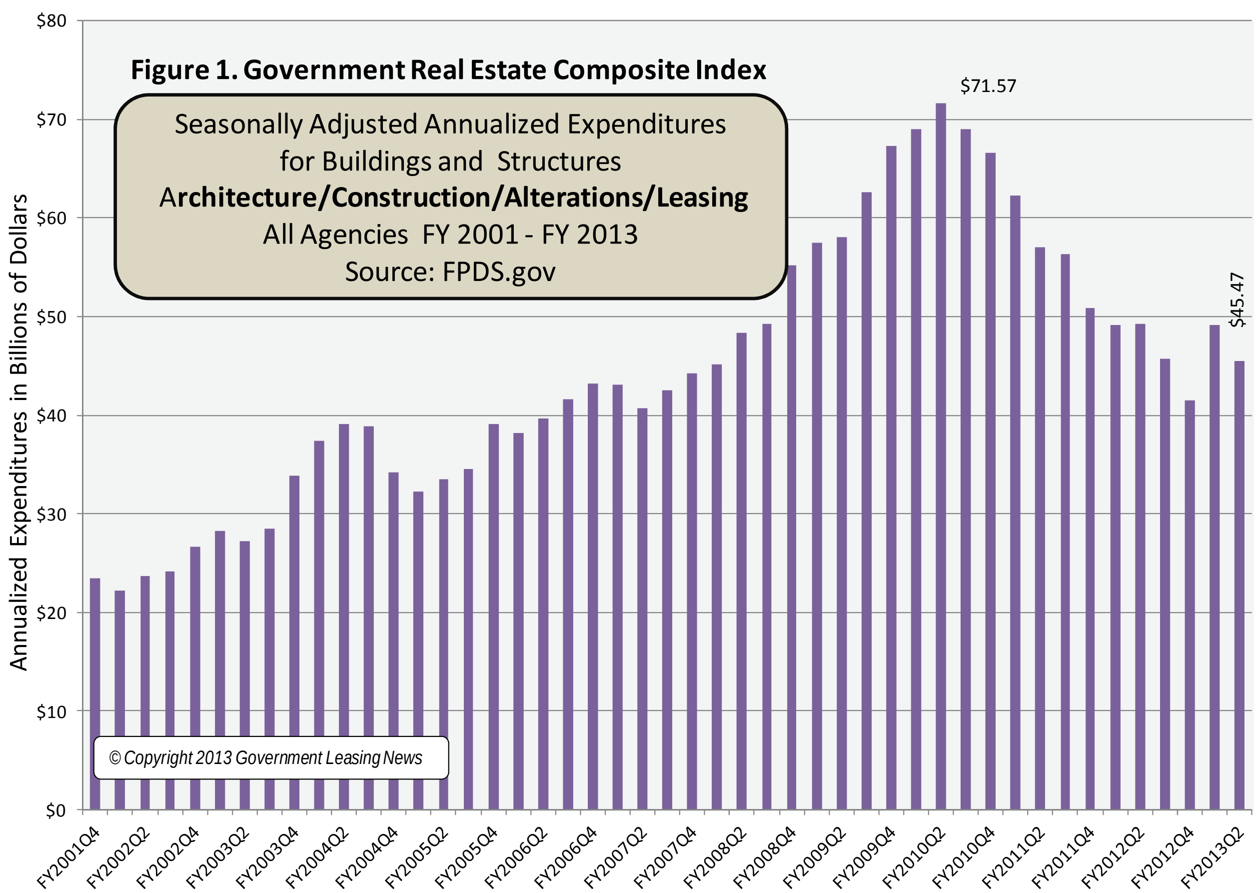
The Government Real Estate Index has now been updated to reflect Federal real estate expenditures for buildings and structures on the part of civilian and defense agencies through the second quarter of fiscal year 2013. Expenditures for the first quarter of FY 2013 have also been updated to reflect adjustments and corrections by the Government to the data at *fpds.gov* that were subsequently introduced since that quarter closed.

The first thing we'd again like to remind reader is that the figures in the charts do not reflect contract awards but rather ongoing financial obligations to architects, developers, contractors and lessors under terms of their respective contracts, and it is for that reason that it makes better sense to use the term expenditures instead.

The Government real estate index represents a family of indexes, the highest one within this hierarchy being the Government Real Estate Composite Index, as illustrated in Figure 1, below. The word Composite refers to the fact that it includes the combined spending under the four broad categories of Architecture, Construction, Alterations and Leasing.

For first-time readers, we point out that because sign-off dates on Government obligations are so seasonally dependent, seasonal adjustment factors must be introduced to establish underlying trends. The methodology for doing this was described in detail in the Summer 2012 issue of Government Leasing News.

We believe Federal real estate activity is experiencing a staggered recovery, as evidenced by the most recent activity levels seen in the figure below. This two-step forward, one-step backward phenomenon is reflected as well in the charts for A&E, Construction, Alterations and Leasing, as noted in Figures 2 through 5. Since the data for the second quarter was extracted from *fpds.gov* more than three months after that quarter closed, we do not believe that the observed down-tick is due to a lag in data recordation.



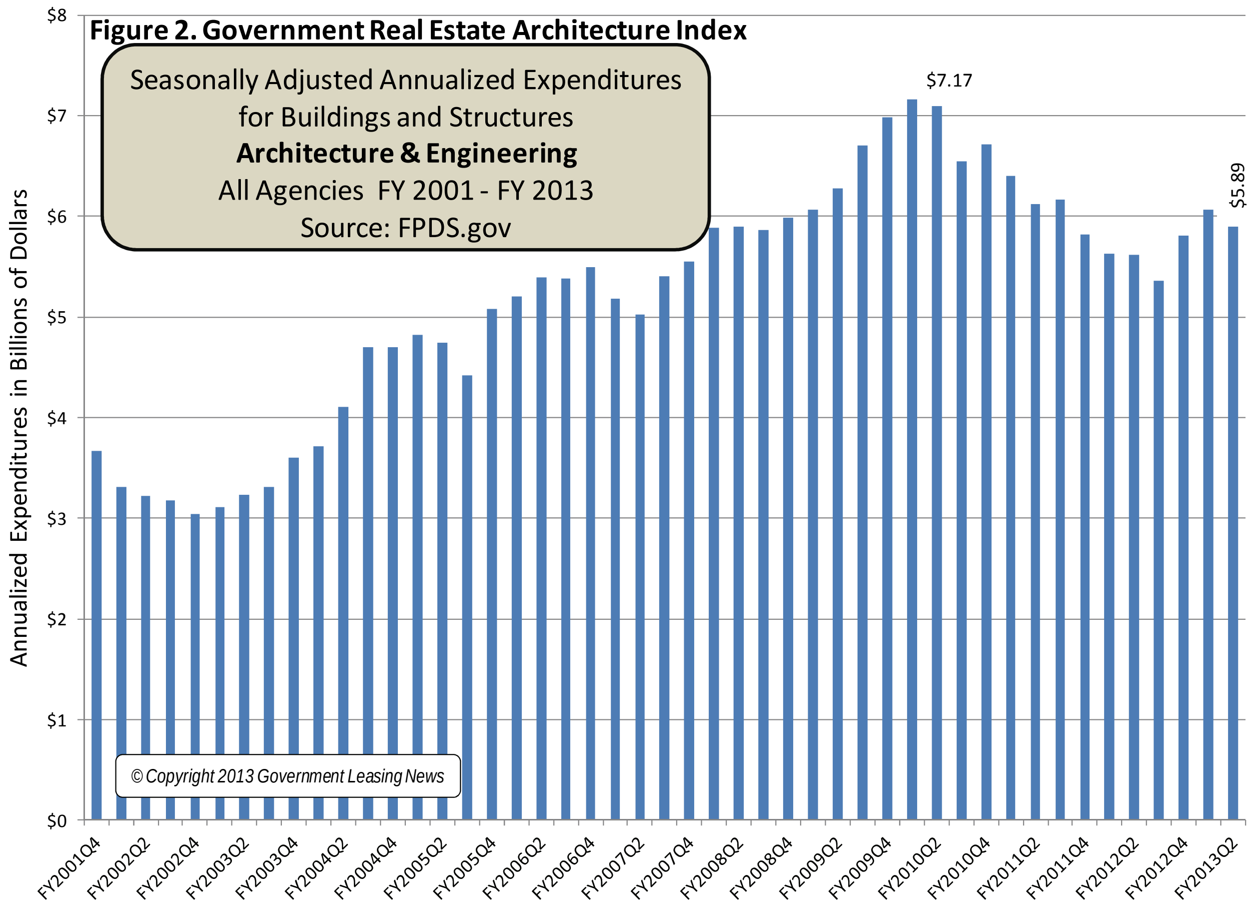


Figure 2. Government Real Estate Architecture Index
Seasonally Adjusted Annualized Expenditures
for Buildings and Structures
Architecture & Engineering
All Agencies FY 2001 - FY 2013
Source: FPDS.gov
$7.17
$5.89
Annualized Expenditures in Billions of Dollars
$8
$7
$6
$5
$4
$3
$2
$1
$0
© Copyright 2013 Government Leasing News
FY2001Q4
FY2002Q2
FY2002Q4
FY2003Q2
FY2003Q4
FY2004Q2
FY2004Q4
FY2005Q2
FY2005Q4
FY2006Q2
FY2006Q4
FY2007Q2
FY2007Q4
FY2008Q2
FY2008Q4
FY2009Q2
FY2009Q4
FY2010Q2
FY2010Q4
FY2011Q2
FY2011Q4
FY2012Q2
FY2012Q4
FY2013Q2

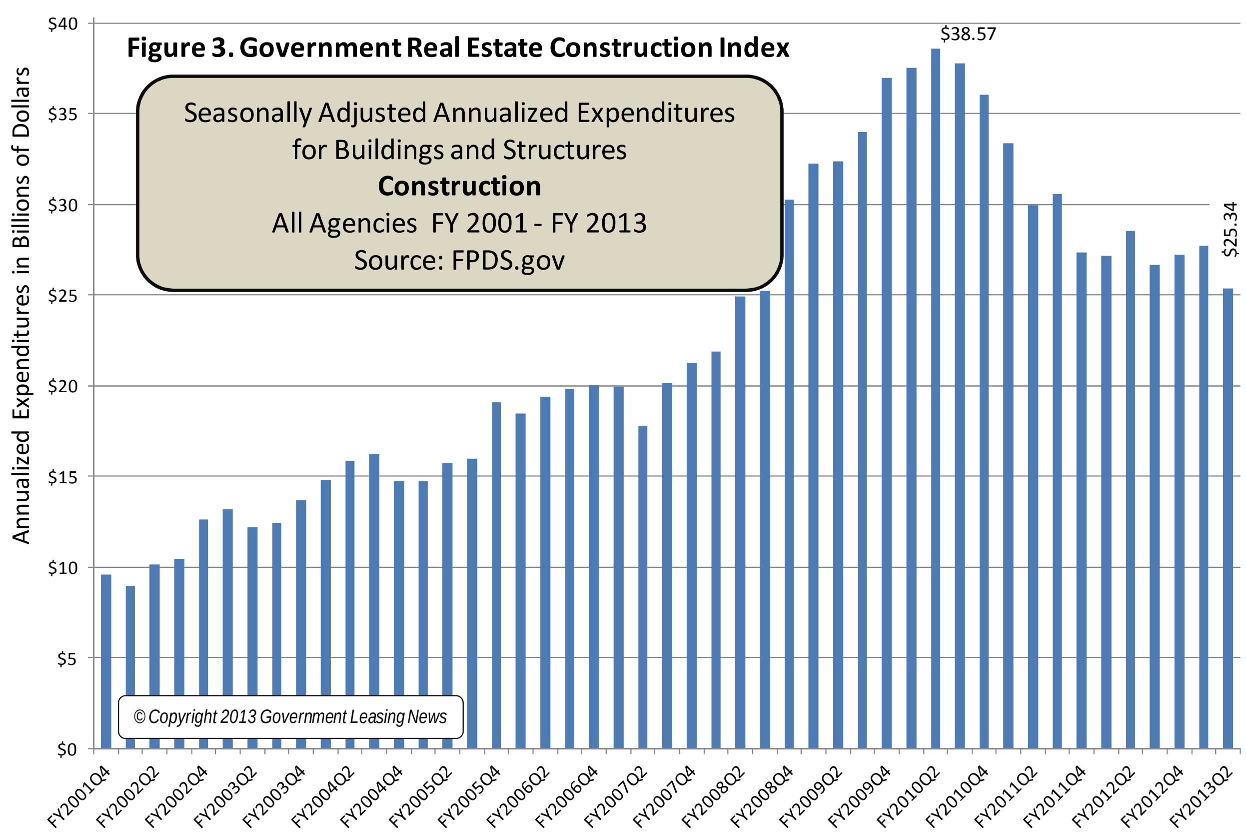


Figure 3. Government Real Estate Construction Index
Seasonally Adjusted Annualized Expenditures
for Buildings and Structures
Construction
All Agencies FY 2001 - FY 2013
Source: FPDS.gov
$38.57
$25.34
Annualized Expenditures in Billions of Dollars
$40
$35
$30
$25
$20
$15
$10
$5
$0
© Copyright 2013 Government Leasing News
FY2001Q4
FY2002Q2
FY2002Q4
FY2003Q2
FY2003Q4
FY2004Q2
FY2004Q4
FY2005Q2
FY2005Q4
FY2006Q2
FY2006Q4
FY2007Q2
FY2007Q4
FY2008Q2
FY2008Q4
FY2009Q2
FY2009Q4
FY2010Q2
FY2010Q4
FY2011Q2
FY2011Q4
FY2012Q2
FY2012Q4
FY2013Q2

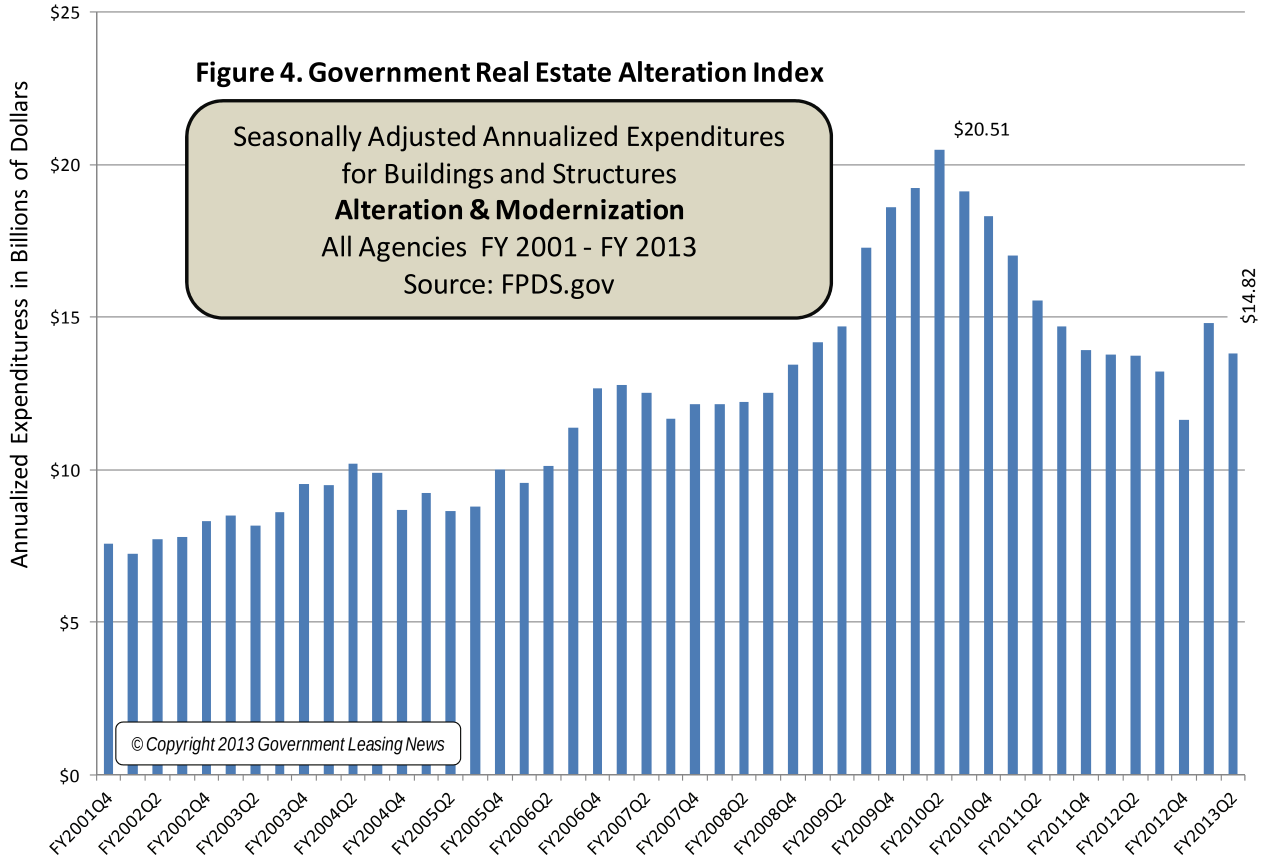


Figure 4. Government Real Estate Alteration Index
Seasonally Adjusted Annualized Expenditures
for Buildings and Structures
Alteration & Modernization
All Agencies FY 2001 - FY 2013
Source: FPDS.gov
Annualized Expendituress in Billions of Dollars
$25
$20
$15
$10
$5
$0
$20.51
$14.82
© Copyright 2013 Government Leasing News
FY2001Q4
FY2002Q2
FY2002Q4
FY2003Q2
FY2003Q4
FY2004Q2
FY2004Q4
FY2005Q2
FY2005Q4
FY2006Q2
FY2006Q4
FY2007Q2
FY2007Q4
FY2008Q2
FY2008Q4
FY2009Q2
FY2009Q4
FY2010Q2
FY2010Q4
FY2011Q2
FY2011Q4
FY2012Q2
FY2012Q4
FY2013Q2

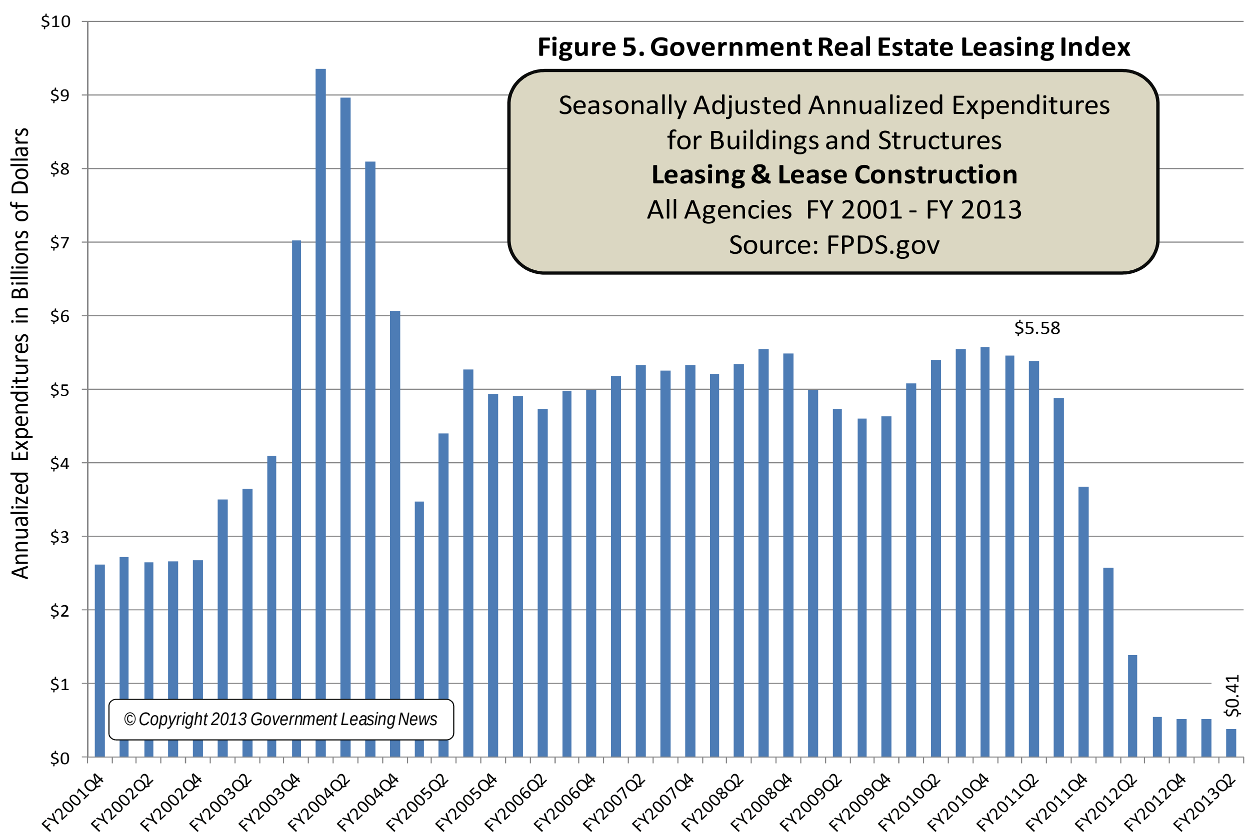


Figure 5. Government Real Estate Leasing Index
Seasonally Adjusted Annualized Expenditures
for Buildings and Structures
Leasing & Lease Construction
All Agencies FY 2001 - FY 2013
Source: FPDS.gov
Annualized Expenditures in Billions of Dollars
$10
$9
$8
$7
$6
$5
$4
$3
$2
$1
$0
$5.58
$0.41
© Copyright 2013 Government Leasing News
FY2001Q4
FY2002Q2
FY2002Q4
FY2003Q2
FY2003Q4
FY2004Q2
FY2004Q4
FY2005Q2
FY2005Q4
FY2006Q2
FY2006Q4
FY2007Q2
FY2007Q4
FY2008Q2
FY2008Q4
FY2009Q2
FY2009Q4
FY2010Q2
FY2010Q4
FY2011Q2
FY2011Q4
FY2012Q2
FY2012Q4
FY2013Q2

GSA Prospectuses for Fiscal Year 2014

To date, GSA has not submitted to Congress any lease prospectuses as part of its FY 2014 Capital Investment and Leasing Program (CILP). It has, however submitted numerous prospectuses for construction, construction design, and repair and alteration prospectuses. None of these have yet been taken up by the House subcommittee on Economic Development, Public Buildings and Emergency Management, or by the Senate committee on Environment and Public Works. Detailed prospectuses can be found at *www.gsa.gov* using the keyword "Prospectus Library".

GSA Construction and Acquisition Projects for FY 2014

Building/Address	City	State	Type	$Requested	House	Senate
San Ysidro Port of Entry	San Ysidro	CA	Construction Amendment	$226,000.000		
Denver Federal Center	Lakewood	CO	Remediation	$13,938,000		
DHS Consolidation at St. Elizabeths	Washington	DC	Construction	$261,531,000		
FBI Tactical Operations Support Facility	Detroit	MI	Design & Construction	$18,507,000		
Lautenberg U.S. Post Office & Courthouse	Newark	NJ	Aquisition	$31,000,000		
Federal Bureau of Investigation	San Juan	PR	Construction	$94,780,000		
U.S. Land Port of Entry	Laredo	TX	Construction	$61,686,000		
FBI Central Records Complex	Winchester	VA	Site & Construction	$108,726,000		

GSA Design Projects for FY 2014

Building/Address	City	State	Type	$Requested	House	Senate
William J. Green Jr. Federal Building	Philadelphia	PA	Design	$6,500.000		

The Automated Advanced Acquisition Program (cont'd)

(Continued from page 16)

completion of due diligence. For further information about the AAAP go to *https://aaap.secure.force.com/AAAP*.

Advantages of the AAAP

- Reduced Lease Procurement Time
- Advanced advertisement
- No market survey
- Advanced RLP development
- Advanced offer period
- Offerors can readily compete for multiple requirements
- Offers need be submitted just once rather than each time a unique RLP is issued.

GSA Prospectuses for Fiscal Year 2014 (cont'd)

In addition to the construction and design prospectuses, GSA submitted to Congress as part of its FY 2014 Capital Investment and Leasing Program (CILP) 25 prospectus and two fact sheets covering repair and alteration at the federal buildings listed below.

GSA Repair and Alteration Projects for FY 2014

Building/Address	City	State	Type	$Requested	House	Senate
John A. Campbell U.S. Courthouse	Mobile	AL	Alteration	$41,000,000		
Fairbanks Federal Building & U.S. Courthouse	Fairbanks	AK	Alteration	$12,357,000		
Little Rock Federal Building	Little Rock	AR	Alteration	$9,249,000		
Edward R. Roybal Federal Bldg & U.S. Courthouse	Los Angeles	CA	Alteration	$19,383,000		
Edward J. Schwartz Federal Bldg & U.S. Courthouse	San Diego	CA	Alteration	$61,136,000		
Phillip Burton Federal Bldg & U.S. Courthouse	San Francisco	CA	Alteration	$32,125,000		
Bryon White U.S. Courthouse	Denver	CO	Alteration	$15,000,000		
Richard C. Lee U.S. Courthouse	New Haven	CT	Alteration	$4,799,000		
Harry S. Truman Building	Washington	DC	Alt Amended	$58,908,000		
Herbert C. Hoover Building	Washington	DC	Alt Fact Sheet	$77,356,000		
Lafayette Building	Washington	DC	Alteration	$54,330,000		
Stewart Lee Udall Dept. of the Interior Building	Washington	DC	Alt Fact Sheet	$60,110,000		
Chicago Federal Center	Chicago	IL	Alteration	$15,000,000		
Major General Emmett J. Bean Federal Center	Indianapolis	IN	Alteration	$19,074,000		
Edward A. Garmatz U.S. Courthouse	Baltimore	MD	Alteration	$7,921,000		
George H. Fallon Federal Building	Baltimore	MD	Alteration	$5,381,000		
Theodore Levin U.S. Courthouse	Detroit	MI	Alteration	$31,000,000		
Robert A. Young Federal Building	St. Louis	MO	Alteration	$70,272,000		
Charles F. Prevedel Federal Building	Overland	MO	Alteration	$27,161,000		
Jacob K. Javits Federal Office Building	New York	NY	Alteration	$6,520,000		
James L. Watson Court of International Trade	New York	NY	Alteration	$25,611,000		
Robert N.C. Nix Sr. Federal Bldg & U.S. Courthouse	Philadelphia	PA	Alteration	$3,416,000		
J.J. Pickle Federal Building	Austin	TX	Alteration	$40,261,000		
Frank E. Moss U.S. Courthouse	Salt Lake City	UT	Alteration	$15,000,000		
Lewis F. Powell Jr. U.S. Courthouse and Annex	Richmond	VA	Alteration	$3,907,000		
Building 7 Auburn Federal Complex	Auburn	WA	Alteration	$17,000,000		
Federal Bldg & U.S. Post Office and Courthouse	Richland	WA	Alteration	$14,070,000		

Department of Veterans Affairs Lease Opportunities

The Real Property Service (RPS) within the Office of Construction & Facilities Management, maintains a list of anticipated leases and prospective contracting opportunities that is updated quarterly. In addition to leasing opportunities, the VA Website maintains links to detailed design guides for a wide range of medical and medically related facilities that are intended to help speed the design process, control costs avoid errors and omissions, and get value for the dollars spent. Unless otherwise specified, all leases are firm term. You can also find the E-mail address of the Project Manager and a one-paragraph description of the proposed project by going to the VA's Website at *www.cfm.va.gov/realproperty/VAAnticipatedLeases.pdf*. The on-line list is supposed to be updated quarterly, but the list below has not been updated since January 8, 2013. It is considerably shorter than the one that appeared in the Winter 2012 issue.

VA Leasing Opportunities

Location	Project Type	NUSF	Term	SFO	Award	Occupancy
Bakersfield, CA	Outpatient Clinic	30,100	20	FY13 Q3	FY14 Q2	FY16 Q2
Binghamton, NY	Outpatient Clinic	24,888	20	TBD	TBD	TBD
Birmingham, AL	Annex Clinic & Garage	50,500	20	11/19/2012	FY13 Q4	FY14 Q4
Charlotte Hall, MD	Community Based Outpatient Clinic	17,741	20	FY13 Q4	FY14 Q3	FY15 Q3
Charlotte, NC	Health Care Center	295,000	20	1/4/2013	FY13 Q4	FY15 Q4
Columbus, GA	Community Based Outpatient Clinic	55,000	20	FY14 Q1	FY14 Q3	FY16 Q3
Huntsville, AL	Outpatient Clinic	47,800	20	10/4/2012	FY13 Q3	FY14 Q3
Johnson County, KS	Community Based Outpatient Clinic	44,400	20	TBD	TBD	TBD
Knoxville, IA	Community Based Outpatient Clinic	12,835	10	FY13 Q3	FY14 Q1	FY16 Q2
Loma Linda, CA	Health Care Center	271,000	20	11/7/2012	FY13 Q4	FY15 Q4
Mobile, AL	Outpatient Clinic	65,125	20	FY13 Q3	FY14 Q2	FY16 Q2
Monterey, CA	Health Care Center	99,000	20	11/24/2012	FY13 Q4	FY15 Q4
Rochester, NY	Outpatient Clinic	84,000	20	TBD	TBD	TBD
San Diego, CA	Community Based Outpatient Clinic	164,000	20	TBD	TBD	TBD
San Jose, CA	Outpatient Clinic	72,000	20	FY13 Q3	FY14 Q1	FY16 Q1
San Juan, PR	Mental Health Residential & Rehab	52,000	20	FY13 Q4	FY14 Q2	FY16 Q2
South Bend, IN	Outpatient Clinic	65,500	20	FY13 Q2	FY13 Q4	FY15 Q4
Springfield, MO	Community Based Outpatient Clinic	68,000	20	FY14 Q1	FY14 Q3	FY16 Q3
Tampa (Brandon), FL	Outpatient Clinic	50,000	20*	FY13 Q3	FY14 Q2	FY16 Q2
Tyler, TX	Outpatient Clinic	40,475	20*	TBD	TBD	TBD

*Not indicated as being firm term.

The Washington/Baltimore Metro Areas, 1st Quarter 2013

Washington Economy: First Quarter 2013

The Washington metro area continues to experience slow growth. Payroll employment increased 41,900 during the 12 months ending January 2013, compared to job growth associated with prior expansion cycles of 60,000 – 80,000 and a long-term annual average of 42,400. As a result, this expansion feels anemic by comparison. Sequestration took effect, dampening market enthusiasm.

Washington Office Market: First Quarter 2013

The Washington metro area office market experienced soft conditions during the 1st quarter of 2013, as net absorption was negative and the overall vacancy rate increased.

Washington Highlights:

•**Net absorption:** Negative 366,000 SF during the 1st quarter of 2013, compared to negative 1.7 million SF during the 1st quarter of 2012 and negative 2.9 million SF during all of 2012.

•**Overall vacancy rate:** 13.5%, up from 12.5% one year ago. Eighth-lowest rate in the nation among major metro areas.

•**Pipeline (U/C and U/R):** 7.2 million SF, level with one year ago.

•**Pipeline pre-lease rate:** 47%, compared to 50% one year ago.

•**Effective rents:** Down 0.6% during the 1st quarter of 2013, compared to a decline of 2.9% in all of 2012.

•**Investment sales:** $888 million ($324/SF) during the 1st quarter of 2013, compared to $2.0 billion ($424/SF) during the 1st quarter of 2012 and $6.7 billion ($355/SF) during all of 2012.

Source: Report on the Washington Metro Area Office Market and Economy, First Quarter 2013, courtesy of Delta Associates and Transwestern.

Baltimore Economy: First Quarter 2013

The Baltimore metro area economy is experiencing above-average growth, as companies continue to backfill positions lost during the most recent downturn. Payroll employment increased 26,300 during the 12 months ending January 2013, compared to a long-term annual average of 11,300. However, given sequestration – the Federal government's automatic budget cuts – is in progress at the time of this writing, we expect the Baltimore metro economy to be impacted if the plan is not amended by Congress.

Baltimore Office Market: First Quarter 2013

The Baltimore metro area office market progressed during the 1st quarter of 2013, as net absorption was positive and the vacancy rate declined. Given improving conditions, the average Class A asking rent increased 0.9%. Although this increase points to healthier market conditions, this rise is modest given the elevated vacancy rate.

Baltimore Highlights:

•**Net absorption:** 432,000 SF during the 1st quarter of 2013, compared to 94,000 SF during the 1st quarter of 2012 and 1.6 million SF during all of 2012.

•**Overall vacancy rate:** 11.9%, down from 13.5% one year ago.

•**Pipeline (U/C and U/R):** 570,000 SF, down from 888,000 SF one year ago.

•**Pipeline pre-lease rate:** 68%, compared to 32% one year ago.

•**Class A asking rents:** Up 0.9% during the 1st quarter of 2013, compared to a rise of 0.2% in 2012.

•**Investment sales:** $156 million ($190/SF) during the 1st quarter of 2013, compared to $84 million ($226/SF) during the 1st quarter of 2012 and $201 million ($112/SF) during all of 2012.

Source: Report on the Baltimore Metro Area Office Market and Economy, First Quarter 2013, courtesy of Delta Associates and Transwestern.

Overall Office Vacancy Trends in Selected Metro Areas

Metro Area	Year-End 2006	Year-End 2007	Year-End 2008	Year-End 2009	Year-End 2010	Year-End 2011	Year-End 2012	1st Quarter 2013
Orange County, CA	6.8%	10.0%	13.5%	15.4%	15.8%	14.1%	13.4%	12.3%
Washington, DC	8.5%	9.1%	10.5%	13.0%	11.9%	12.1%	13.4%	13.5%
New York	7.5%	7.8%	9.4%	10.7%	11.2%	11.3%	11.4%	11.3%
South Florida	7.6%	8.6%	10.8%	14.7%	15.2%	15.2%	14.5%	14.2%
Los Angeles	7.6%	7.7%	9.5%	12.1%	13.1%	12.8%	13.2%	12.6%
National Average	**10.4%**	**11.1%**	**12.4%**	**14.2%**	**14.6%**	**14.1%**	**13.7%**	**13.4%**
Phoenix	10.4%	13.0%	18.9%	21.4%	21.7%	21.1%	20.1%	19.4%
San Francisco Bay	10.2%	8.4%	10.4%	13.4%	13.4%	12.7%	11.4%	11.2%
Boston	11.1%	9.8%	9.8%	10.8%	11.2%	11.1%	10.2%	9.9%
Atlanta	12.9%	13.5%	14.8%	16.7%	17.6%	16.9%	15.7%	15.9%
Houston	12.1%	10.9%	11.7%	13.5%	12.6%	12.0%	10.6%	10.8%
Denver	13.1%	12.6%	13.6%	14.6%	13.9%	13.1%	12.5%	12.4%
Chicago	13.4%	12.8%	13.0%	15.0%	15.6%	14.5%	13.6%	13.6%
Dallas/Ft. Worth	17.3%	17.1%	17.2%	17.7%	18.4%	17.3%	16.4%	16.4%

Source: Delta Associates, Transwestern, and CoStar. Data is from the Houston Metro Outlook Report, 1st Quarter 2013.

Recently Initiated New and In-Place GSA Leases

The tables on this and the following page include succeeding and superseding ("In-Place") leases in addition to new and new/replacing ("New/NR") leases initiated by GSA from mid-February to mid-May 2013, for leases of 3,000 or more RSF that were 100% devoted to office space, and had lease terms of ten or more years. They are ordered by descending size of the lease. Both the overall term and firm term of each lease is recorded. From this data that we hope to track the evolution of the split between firm and soft terms with time. Bear in mind that the award dates for these leases may have taken place many months prior to the start-up date of the lease.

Address	City	State	Type	Term	Firm	RSF	Rate	Lease No.	Lessor Name
200 3RD ST	PARKERSBURG	WV	In-Place	12	12	284,209	$9.00	LWV12083	LEASED HOUSING DEV.
10385 ViSTA SORRENTO	SAN DIEGO	CA	New/NR	20	20	248,882	$45.54	LCA02541	PH FBI SD, LLC
801 CHERRY ST	FORT WORTH	TX	New/NR	10	7	50,817	$20.94	LTX17158	BEHRINGER HARVARD
1770 CORPORATE DR	NORCROSS	GA	New/NR	15	10	38,395	$19.86	LGA62001	ENDICOTT HOLDING CO.
3838 N. CENTRAL AVE	PHOENIX	AZ	New/NR	10	5	25,432	$19.40	LAZ02944	AG-POP CS 3838 OWNER
11500 W OLYMPIC BLVD	LOS ANGELES	CA	New/NR	10	5	20,885	$35.05	LCA02635	11500 WEST OLYMPIC
14201 PECAN PARK RD S	JACKSONVILLE	FL	New/NR	10	0	18,041	$52.23	LFL62427	JACKSONVILLE AVIATION
2424 ARDEN WAY	SACRAMENTO	CA	New/NR	15	10	17,265	$31.33	LCA02815	DREYER HOWE ARDEN
5770 SKYLANE BLVD	WINDSOR	CA	In-Place	10	5	16,271	$34.00	LCA02877	CHAN, PETER F
40 N CENTRAL AVE	PHOENIX	AZ	New/NR	10	5	12,744	$25.00	LAZ02955	HINES TWO RENAISSANCE
111 LOMAS BLVD NW	ALBUQUERQUE	NM	In-Place	10	5	12,569	$16.95	LNM17128	GULFSTREAM LOMAS INC
3900 OLYMPIC BLVD.	ERLANGER	KY	In-Place	10	5	11,652	$19.80	LKY62245	CPX OLYMPIC II CORP.
11770 BERNARDO PLAZA	SAN DIEGO	CA	New/NR	10	5	10,358	$45.57	LCA03017	SUNROAD FINANCIAL PLZA
2805 CHARLES BLVD	GREENVILLE	NC	In-Place	10	5	10,152	$20.07	LNC62063	MSDG GREENVILLE
717 MCGLATHERY LN SE	DECATUR	AL	In-Place	10	5	9,768	$18.82	LAL62170	CF PROPERTIES
7200 BANCROFT AVE	OAKLAND	CA	New/NR	15	10	9,359	$37.35	LCA02752	EASTMONT OAKLAND ASSO.
1111 SUPERIOR AVE	CLEVELAND	OH	New/NR	10	5	9,340	$17.08	LOH18921	SUPERIOR OF CLEVELAND
903 E. 104th STREET	KANSAS CITY	MO	New/NR	10	5	8,855	$19.64	LMO11106	E H D HOLDINGS
4314 OLD WILLIAM PENN	MONROEVILLE	PA	In-Place	10	3	8,059	$21.49	LPA12082	DCE PROPERTIES
12819 COUNTRY PLACE	SAINT JOSEPH	MO	New/NR	10	5	8,000	$18.50	LMO21003	PARTNERS IN FAITH
1 WORLD TRADE CTR	LONG BEACH	CA	New/NR	15	10	7,995	$30.16	LCA02870	LEGACY PARTNERS II
2 WRIGLEY	IRVINE	CA	New/NR	15	10	7,700	$39.45	LCA02923	CANAAN IRVINE SPECTRUM
79 LEIGHTON RD	AUGUSTA	ME	In-Place	10	5	6,800	$13.25	LME04910	J & R ASSOCIATES
600 CITY PKY W	ORANGE	CA	New/NR	10	5	6,580	$36.04	LCA02952	ABBEY BP INVESTORS
400 MERIDIAN ST N	HUNTSVILLE	AL	In-Place	10	5	6,562	$17.90	LAL62628	MERIDIAN PLACE
330 CUMMINGS ST	ABINGDON	VA	In-Place	10	5	6,362	$15.62	LVA12040	HARGROVES, ANDREW J
5200 INDUSTRIAL PL	FERNDALE	WA	New/NR	10	6	6,077	$31.05	LWA07293	S Y B HOLDING CO INC
300 EARLY BLVD	EARLY	TX	In-Place	10	5	5,830	$16.72	LTX16981	SECURITY NATIONAL FUND
5550 PAINTED MIRAGE	LAS VEGAS	NV	New/NR	10	5	5,791	$28.14	LNV03039	KHANEH HOLDINGS
14240 INTERURBAN AVE	TUKWILA	WA	New/NR	10	3	5,710	$34.40	LWA07291	BELLTOWN INVESTMENT
909 SAINT JOSEPH ST	RAPID CITY	SD	In-Place	10	5	4,918	$15.82	LSD14544	TURNAC II

Recently Initiated New and In-Place GSA Leases (cont'd)

Address	City	State	Type	Term	Firm	RSF	Rate	Lease No.	Lessor Name
518 6TH AVE W	HENDERSONVILLE	NC	New/NR	10	5	4,903	$32.72	LNC50083	WISE DEVELOPMENTS
96 N 3RD ST	SAN JOSE	CA	New/NR	10	5	4,859	$47.65	LCA02544	PARK PLACE VENTURE
469 WEST 23RD STREET	PANAMA CITY	FL	In-Place	10	5	4,651	$26.83	LFL61869	REGIONS BANK
1515 W 190TH ST	GARDENA	CA	New/NR	10	5	4,637	$25.20	LCA02930	SOUTH BAY CENTER
216 W VILLAGE BLVD	LAREDO	TX	New/NR	10	5	4,272	$31.94	LTX17016	DISA PROPERTIES LP
2929 3RD AVE NO	BILLINGS	MT	New/NR	10	5	4,123	$29.14	LMT14218	DOGGETT RANCH
1375 SE WILSON AVE	BEND	OR	New/NR	10	5	3,758	$1.86	LOR07271	WILSON BUILDING
150 W PHILLIPS RD	GREER	SC	In-Place	10	5	3,571	$19.41	LSC62415	GREENVILLE BUSINESS CTR
1000 A TED JOHNSON PKWY	GREENSBORO	NC	In-Place	10	0	3,543	$35.59	LNC62529	PIEDMONT TRIAD AUTH
2627 N HOLLYWOOD WAY	BURBANK	CA	In-Place	10	5	3,500	$34.94	LCA03021	BURBANK GLENDALE AUTH
300 INTERSTATE CORP CTR	WILLISTON	VT	New/NR	10	5	3,420	$28.97	LVT04904	WINTER DEVELOPMENT
1020 NEW RIVER PKWY	FALLON	NV	New/NR	10	5	3,197	$25.34	LNV02754	LAHONTAN VALLEY SURG
1921 W GRAND XING	MOBRIDGE	SD	In-Place	10	5	3,119	$10.95	LSD14757	BAUER PROPERTIES
5500 TELEGRAPH RD	VENTURA	CA	In-Place	10	5	3,037	$26.26	LCA02883	ROE & ROE INC

CompStak: Crowd Sourced Lease Comparables

CompStak is a recently established real estate company that specializes in gathering information on commercial office buildings that is hard to find, difficult to compile or otherwise unavailable. Government Leasing News believes its crowd-sourcing technique for compiling lease comps may be of particular interest to our readers because by contributing lease comps to the information base, real estate professionals can have access to lease comps in their market areas on a one-for-one basis without charge.

Lease comp contributions on the part of participating owners, brokers, appraisers and other professionals are rigorously validated and cross-checked for accuracy by Compstak staff. Contributors are credited with points that can be used to access comps as they need them. Enterprise clients such as institutional owners, REITs, hedge funds and asset managers can purchase comps for investment and research purposes as well.

CompStak has so far built comprehensive comp databases for Manhattan, the San Francisco Bay Area, and Los Angeles. The firm is launching its services in the greater Washington D.C. area on July 1st and in the greater Chicago area on August 1st. For further information, go to compstak.com or call David Peterson at 917.525.3781 or 518.588.6915 (cell). And be sure to attend the CompStak presentation at the fall meeting of NFDA on November 6-7 in Washington DC.

NFDA
National Federal Development A

Save the Date!

This year's fall meeting of the National Federal Development Association has been scheduled for Wednesday/Thursday, November 6–7, 2013, at the AIA Building in Washington, DC. Note the Announcement on page 13 and watch for details in the fall issue of Government Leasing News or on our Website later on this summer at *www.nfda.us*.