

# STATE OF IDAHO



DEPARTMENT OF ADMINISTRATION

## STATE LEASING MANUAL

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# STATE LEASING MANUAL

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For ease of use, definitions are located in the back of the manual. All terms which are defined in the Definitions section are highlighted in bold and contain a link to the definition. All State forms are located on our website. When they are referred to in the text, they are underlined. Links can be found on Page 30.

## A. INTRODUCTION

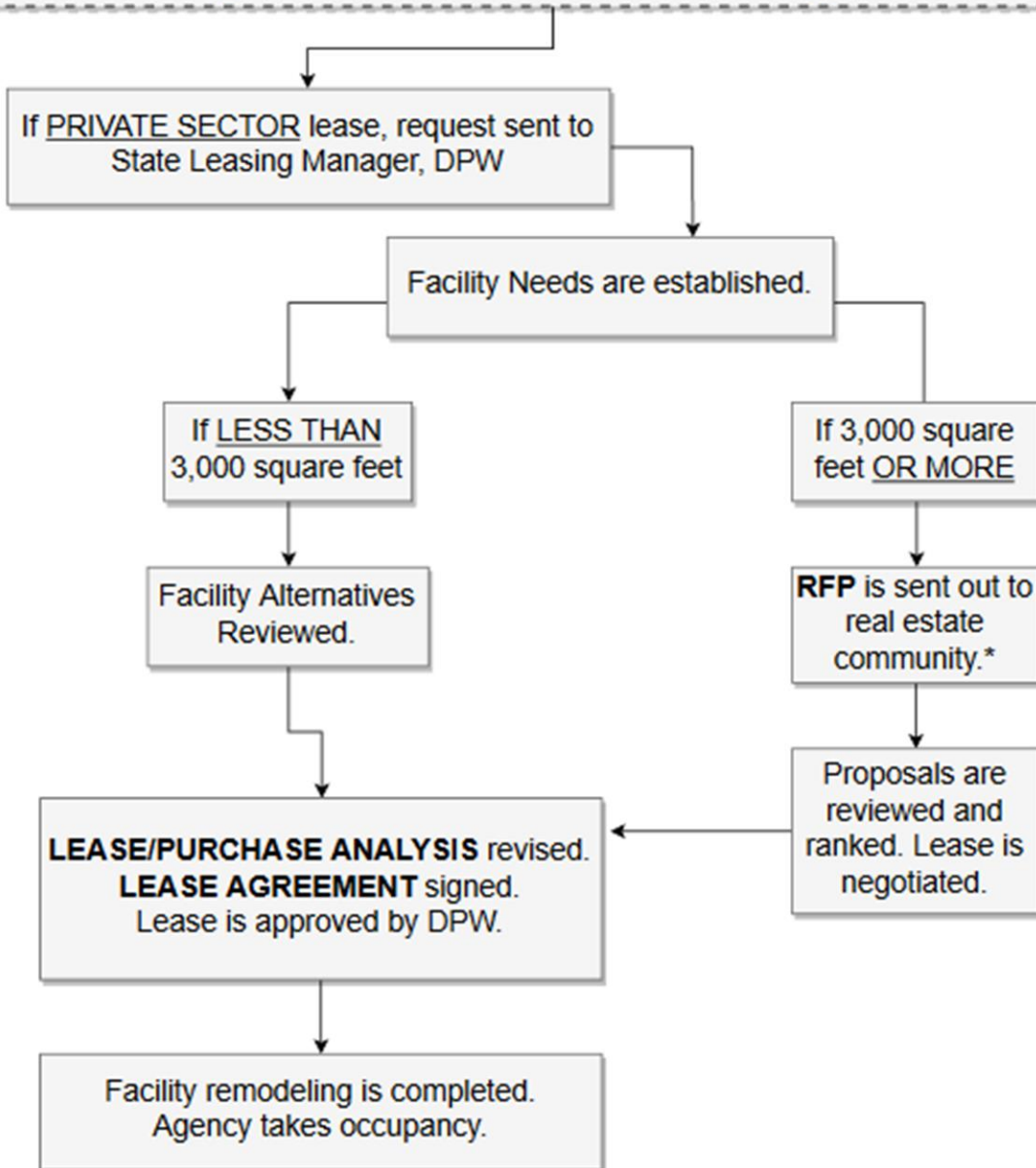
Pursuant to Idaho Code 67-5708B, the State Leasing Manual has been published in order to assist agencies in the acquisition of functional and cost-effective facilities, when leased from private landlords. With legislative direction to develop a statewide facilities management plan, the department has clarified standards for building space utilization and established methods for the timely acquisition of space.

The State Leasing Manual also establishes facility use standards and provides a guide to occupying leased facilities. For the benefit of the private sector seeking to do business with the State, a brief discussion of the leasing process is described.

## B. PROCEDURES FOR FACILITY ACQUISITION

Agency sends **FACILITIES REQUEST** and **FACILITIES STANDARDS** sheet to State Leasing Manager, DPW.

**5 YEAR FACILITY PLAN & COMPREHENSIVE ANALYSIS** (summarizing **LEASE/PURCHASE ANALYSES & FACILITY QUESTIONNAIRES**) must be provided to DFM and LSO/BPO with budgets.



\*RFP must be approved by Permanent Building Fund Advisory Council. Any anticipated additional costs associated with any proposed relocation must be reviewed by the Division of Financial Management.

## C. FACILITY CONTACT LIST

<b>Name Title</b>	<b>Department</b>	<b>Phone and Email</b>	<b>Street Address</b>
Robert L. Geddes Director	Administration	(208) 332-1812 <a href="mailto:bob.geddes@adm.idaho.gov">bob.geddes@adm.idaho.gov</a>	650 W State Boise
Jon Pope IT Project Manager	CIO Enterprise Plans & Programs	(208) 332-1853 <a href="mailto:jon.pope@cio.idaho.gov">jon.pope@cio.idaho.gov</a>	650 W State Boise
Sam Sibert Federal Surplus Business Manager	Administration Purchasing Federal Surplus	(208) 334-3477 <a href="mailto:sam.sibert@adm.idaho.gov">sam.sibert@adm.idaho.gov</a>	3416 Bennett Boise
Jan Frew Administrator	Administration Public Works	(208) 332-1900 <a href="mailto:jan.frew@adm.idaho.gov">jan.frew@adm.idaho.gov</a>	502 N 4th Boise
Roger Deobald Sales & Marketing Manager	Correction Correctional Industries	(208) 334-5315 (customer service for furniture & moving)	1299 N Orchard Boise
Cheryl Dearborn IT Network Analyst	CIO Enterprise Infrastructure Services	(208) 332-1845 <a href="mailto:cheryl.dearborn@cio.idaho.gov">cheryl.dearborn@cio.idaho.gov</a>	650 W State Boise
Lewis Carroll Postal Services Manager	Administration Purchasing Postal Services	(208) 332-1950 <a href="mailto:lewis.carroll@adm.idaho.gov">lewis.carroll@adm.idaho.gov</a>	550 W State Boise
Richard Brien State Leasing Manager	Administration Public Works Facilities Leasing	(208) 332-1929 <a href="mailto:richard.brien@adm.idaho.gov">richard.brien@adm.idaho.gov</a>	502 N 4th Boise

## D. FACILITY PLANNING

### 1. FIVE YEAR FACILITY PLAN

House Bill No. 486, which added a new section (67-5708B) to the Idaho Code, became effective July 1, 2000. With this legislation, all state departments, agencies, and institutions (except for state institutions of higher education) are required to prepare a five (5) year [Facilities Needs Plan](#) and to report projected facility needs at their annual budget hearings. Unused, underused, or surplus building space must be reported to the Department of Administration. The format and guidelines for the [Facilities Needs Plan](#) are developed by the Department of Administration and sent to all state entities on an annual basis.

Since this plan will aid the State in projecting future space needs and in determining whether there is underutilized building space that might be put to better use, a copy of this [Facilities Needs Plan](#) must be provided to the Department of Administration no later than **September 1 of each year**. The Department of Administration will be consolidating all the information received and preparing a Statewide Facilities Needs Plan.

This [Facilities Needs Plan](#) represents the second report on facilities required to be furnished at annual budget hearings. Idaho Code 67-5708A requires agencies to perform a comprehensive analysis on all leased facilities. The comprehensive analysis will be addressed in the section of this manual entitled "Occupying Facilities Leased from the Private Sector" [see page 9].

## E. SURPLUS REAL ESTATE

### 1. IDAHO CODE 67-5709A

67-5709A was added to the Idaho Code effective July 1, 2000. This legislation allows for the sale or transfer of state administrative facilities that have been determined to be either surplus or unsuitable for an agency's needs. If a property has been declared to be surplus, the Department of Administration has been charged with the responsibility of its disposition. The property will first be offered to state agencies for lease or sale. If no state agency expresses an interest in the property, the property shall be sold on the open market for the highest price possible. The net proceeds of the sale shall be deposited in the Permanent Building Fund for appropriation to either replace the facility sold, refurbish other facilities occupied by the agency or used for other State-Owned Buildings.

## F. OBTAINING SPACE

### 1. FACILITY USE STANDARDS

The Department of Administration, Division of Public Works (DPW), assists state agencies in obtaining functional and cost-effective facilities. Agencies, in conjunction with DPW, determine the size and type of facility needed by using the State [Facility Use Standards](#) [click for [definition](#)]. These [Facility Use Standards](#) have been established to ensure that state facilities will meet a consistent level of space utilization and efficiency. [Facility Use Standards](#) shall apply to all facilities being

remodeled or newly constructed for occupancy by a state agency. Application of these standards to an existing facility where no major alterations are planned will be limited to the extent that they are feasible and economically practical.

The Facility Use Standards have allocated specified amounts of space to various work functions utilized in the day-to-day business activities of the State. The amounts of space are not entitlements but are the maximum amount of space allowed. Surveys have shown that the State of Idaho's standards are comparable to those in private industry and to those in other states.

An "open office design" policy has been adopted as the State's standard design approach. This design reduces construction costs and leasing expense; increases heating and cooling efficiency; and, most importantly, lessens future remodeling costs. An open design can readily accommodate conventional office furniture (with or without movable partitions), office furniture systems, or a combination of both. The cost to build a private, enclosed office can be much more than the cost of building an open office area, purchasing a modular workstation and its related furniture. Adding workspaces in the future is readily accomplished with an open office design as compared to a conventional enclosed office design. State office furniture contracts, Correctional Industries, or Federal Surplus may be able to provide viable office furnishing solutions at a reasonable price.

To the extent possible, all enclosed areas, such as offices and conference rooms, should be located in the center of an office space as opposed to against windowed exterior walls. This arrangement provides the maximum amount of natural light to all employees, better dissipates heat and cold from exterior walls and windows, and can improve indoor air quality.

Agencies are required to make the most efficient use of their square footage. Space utilization has been under an increasing level of scrutiny by the State Legislature. Accordingly, any hard-walled offices for staff below the level of Bureau Chief will require written justification and will be handled on a case-by-case basis.

Agencies seeking to lease new or additional space should complete the [Facilities Request](#) and the Facility Use Standards sheet and return them to the State Facilities Manager with DPW. Upon review of the request, if it is determined that the space should be located within a State-Owned Building, the request will be subsequently sent to Facilities Services. If it is determined that the space should be leased from the private sector, the request will be sent to the State Leasing Manager.

The Facilities Request is used to formally request the Department of Administration to acquire space for an agency. The agency is required to certify that the requested space is necessary and that all information is current and correct. The Facility Use Standards provides a mechanism for the agency to express its space needs and furnishes to DPW the necessary information to calculate the amount of space that will be required.

If it is believed by the agency seeking space that the facility standards will not meet the agency's needs, the agency must request an exception in writing to DPW, providing justification for any discrepancy. This justification can be brief, but it should address such issues as management responsibility, number of staff supervised, and other specific needs for additional space, privacy, security or confidentiality specific to the position. If DPW does not concur with the exception, further



review may be required.

## 2. LOCATING FACILITY ALTERNATIVES

Facilities can be owned by an agency, leased from the private sector, sub-leased from another agency, or sub-leased from the Department of Administration (generally in a State- owned office building). In addition, from time to time, DPW may be aware of a facility leased by another agency that no longer meets their needs. It is naturally DPW's responsibility to attempt to fill this existing space before considering the leasing of new space.

The purchase of a facility can be achieved in several different fashions. A new building can be constructed for a single agency's use or for that of multiple agencies. An existing building can be acquired and remodeled to suit the State's needs. A building can be leased and then subsequently purchased at a predetermined point in time. An owner of a facility can provide an option to purchase, whereby the agency could make a final decision on purchasing the building several years in the future but at a price established at the time the agency took occupancy.

Leases can be structured in different ways as well. The State has a standard agreement which it uses on all leased facilities. The business points within a lease agreement can vary greatly, depending on the type of the building and the property owner. Lease terms generally range from one to five years. Any lease term over five years must be approved by the [Permanent Building Fund Advisory Council](#). A lease can vary from a [full service lease](#), where the [Lessor](#) (landlord) provides all utility and cleaning services to the agency, to [triple net](#) (or **NNN**), where the agency is responsible for all costs to operate and maintain the building. These costs would not only include utilities and janitorial costs but also the facility's expenses for real estate taxes, insurance and maintenance. It is generally preferable for an agency to lease facilities on a full service basis.

Facilities can be structured in a variety of ways to meet State needs. Numerous factors, ranging from locational issues to economic issues, need to be taken into account in order to be able to make a final recommendation. The following list identifies some of these factors.

**Specialized needs of an agency.** Some agencies have facilities that can be difficult and expensive to move from one building to another. Examples could be recording studios or laboratories. Agencies which are expecting a great deal of growth may wish to seek buildings which can accommodate their expansion over the next ten (10) to twenty (20) years.

**Difficulty in locating suitable facilities for a specific use or within a specific geographic location.** Some agencies can be more difficult to place in multi-tenanted buildings than others due to their use of the building or due to their client load. Some communities do not have a large amount of commercial facilities to provide any form of selection to the State. In these communities, ADA access and other code issues may be significant issues.

**Economic conditions of the real estate market.** If the costs of leasing a facility continue to escalate, ownership of facilities provides, at a bare minimum, the capability of the State to control increases in its facility costs.

**Concentration of other state agencies within a given area.** A large number of state-

owned facilities scattered sporadically throughout the State may create significant management issues.

### 3. COST FACTORS

A variety of cost factors should be considered when relocating a new facility. These factors can be related to the building and its location, to the agency itself, or to the lease agreement negotiated between the Lessor and the Lessee. Some of these factors are as follows:

#### **Building and Location**

- Load factor** (percentage of **common area** in relation to actual area occupied);
- Floor plates** (how much area is on each floor of a building);
- Energy efficiency;
- Whether the space will be new construction or an existing facility;
- Availability of parking and cost to agency;
- Items already available in building (computer wiring and servers, conference rooms, or alarm systems); and
- Adjacency of other state agencies so certain items can be shared (such as computer servers, conference rooms, or secured parking).

#### **Lease Agreement**

- Type of lease (can range from a **full service** to a **triple net** (or “**NNN**”) lease);
- Base rent;
- Increases in rent over term of lease;
- Services included in lease rate;
- Tenant improvements furnished by Lessor;
- Tenant improvements to be paid by agency; and
- Lessor concessions (free rent, installation of data and phone wiring, etc.).

#### **Agency Related**

- Number of employees;
- Type of facility and specialized needs (such as fireproofing, exhaust systems, security, etc.);
- Type and number of clientele being served;
- Type of equipment to be moved;
- Timing; and
- Type of phone and data equipment required.

#### 4. PLANNING A NEW FACILITY

The planning of a new facility should be tailored to each agency's unique mission and can result in greater productivity, increased flexibility and higher employee satisfaction levels. Consideration should be made to numerous factors, including:

- How different units function within the agency and how to improve interaction between these different units;
- How a new facility can best help employees do their jobs effectively;
- How a new facility can support individual work yet allow interaction between staff members and other units;
- Whether increasing workflow interaction between other State or Federal agencies would be beneficial;
- Whether access for public needs to be improved or reconfigured to limit access to certain areas;
- Whether certain employees are in the office less than 60% of the time and whether sharing of office space in these situations would be appropriate; and,
- Whether any methods can be employed to reduce the size of space required.
- Telephone and data wiring requirements.

Numerous solutions are available in the design of a facility which can reduce either the cost to complete the space or the amount of space required, including:

- Place phone and computer rooms in a central location. These rooms should not be accessible to the public and should be locked at all times. Only state employees or vendors working on the equipment should be allowed access to these areas. Building owners and their staff typically do not need access to phone and computer rooms. If access is required, they must be accompanied by an agency employee;
- Place restrooms and all rooms needing plumbing lines, such as breakrooms and wet bars in conference rooms, in one central location;
- Increase task lighting to improve employee efficiency;
- Combine forces with other state agencies to leverage size and benefit from the efficiency of a shared facility;
- Purchase power files to house large amounts of documents which need to be kept within the work area;
- Research paper storage alternatives, such as off-site storage or storage on electronic media;
- Question all storage needs. Broken or outdated equipment should be removed. Some items such as tires should never be stored in an office area;
- Plan for flexibility in office use for the future, using open office design and system furniture;
- Share conference rooms with other state agencies;
- Improve acoustics by looking at varied solutions such as sound panels, denser carpeting, white noise systems, etc.;
- Increase lighting by placing hard-walled offices and rooms in the center of the building, adding skylights, considering the solar orientation of the building, and by using windows

in some of the higher wall panels;

- Consider video-conferencing to keep in touch with outlying offices; and
- Develop areas where staff can reserve an office or share an office if staff is not in the office more than sixty percent of the time.

Other states have adopted various means of controlling their facility costs, including space standards and cost ceilings for leased space. It is anticipated that an awareness of facility standards, facility alternatives, and cost factors will provide a means to manage state facilities in a cost-effective manner.

## G. OCCUPYING FACILITIES LEASED FROM THE PRIVATE SECTOR

### 1. THE LEASING PROCESS

The Department of Administration, through DPW, assists state agencies in the acquisition of functional and cost effective facilities to meet the reasonable expectations of the agencies. DPW establishes and enforces facility standards. It works with state agencies to negotiate leases to keep facility costs within a competitive range. It recommends alternative approaches to meet facility needs and approves leases in accordance with established parameters, and requests approval on any exceptions to guidelines developed by the **Permanent Building Fund Advisory Council**.

#### a. Lease Approval

All leases, including renewals, expansions, and lease modifications, for state facilities must be negotiated and approved by the Department of Administration under Idaho Code Section 67-5708A.

#### b. General Standards for Leased Space

Facility Use Standards have been established to ensure maximum utilization of facilities. These Facility Use Standards determine the amount of area that should be occupied by state agencies. A variety of facility alternatives may be considered as a means to address facility needs, such as consolidating agencies within one building, providing centralized conference and meeting rooms, and providing off-site storage facilities. In addition, an open office design policy has been adopted as the State's standard design approach. All space requests will be reviewed judiciously with regard to location, cost, space requirements, and future growth assumptions.

Each agency should have one individual identified as its "Facility Coordinator." This person will work with DPW to determine the agency's needs for space and to coordinate any facility issues that arise in the future. The Facility Coordinator should make the initial contact with DPW's State Leasing Manager. The Facility Coordinator and the State Leasing Manager will meet with key agency personnel to determine specific requirements for leased space. These space requirements will be based upon the State Facility Use Standards (discussed previously, see page 4). Alternative facility options, such as the sharing of conference and training facilities or occupying state-owned space, will also be explored.

The State leases space at a competitive market rate on a full-service basis. The use of the **State Lease Agreement** [See Forms, page 30], which includes an annual funding appropriation clause as required by State law, is necessary. All buildings must conform to all existing local, State and federal codes, including accessibility requirements established by the **Americans with Disabilities Act (ADA)**. The agency establishes its facility budget based on projected market rate information provided by DPW. There is no charge to the agency for these services.

### **c. Annual Analysis of Leases**

Pursuant to Idaho Code Section 67-5708, the Department of Administration must establish a program to evaluate all facility leases in effect or to be entered into after January 1, 1999. A comprehensive analysis must be performed *annually* by each state agency on all of its leased facilities to determine the lowest responsible cost to the taxpayer for as long as the facilities are expected to be needed, or for forty (40) years, whichever is less. This analysis does not need to be prepared on any facilities that are leased in the State Office Buildings.

The comprehensive analysis must be presented by each agency at its respective budget hearings. This analysis shall address, at a minimum, an evaluation of the need for facilities, space utilization efficiency, long-term needs and objectives, and viable alternatives to meet facility needs. It must also consider the alternative of acquiring a facility through the Idaho State Building Authority or other funding sources. The comprehensive analysis has two components, a **Lease Purchase Model** [click for **definition**] and a **Facilities Questionnaire**.

### **d. The Lease Purchase Model**

The **Lease Purchase Model** can be retrieved from leasing's home page at <http://leasing.idaho.gov/>. It is an Excel Workbook and contains eight (8) worksheets. To access the model, click the "Public Works Leasing" tab, then click the "Lease Purchase Model" tab to retrieve the model. Information regarding the terms of a lease will need to be inserted on the first page of the Workbook, which is called "Assumptions." All calculations will be done automatically. Further information regarding the model can be obtained on DPW's home page under "Lease Purchase Instructions." If you have any questions about the model, please call the State Leasing Manager for DPW – many times the analysis can be completed right on the phone.

This model can also be used as a negotiating tool for agencies as it can help an agency know what alternative is most financially advantageous and the agency will be able to communicate that information to the landlord. Leases without a **Lease Purchase Model** and **Facilities Questionnaire** will not be approved until the information is received. With the new legislative requirements for agencies to develop a five (5) year facility plan, it may be beneficial to indicate briefly how the lease fits within that plan.

The **Facilities Questionnaire** can also be retrieved from leasing's home page at [http://leasing.idaho.gov](http://leasing.idaho.gov/). It can be filled out by hand and faxed to DPW at (208) 334-4031 or returned via email.

### **e. Leasing Facilities**

It is not advisable to seek leased space prior to discussing the need with your facility coordinator and DPW. Some properties may not comply with ADA requirements or the [building code](#). Properties which do not provide adequate accommodations for the disabled or which do not conform to local zoning requirements cannot be considered. The [Lease Purchase Model](#) may restrict selection as far as the lease rate. Additionally, the property owner may not be aware of State Facility Use Standards or other State leasing requirements.

In the private market, there is a divergence of owners' pricing structures and investment objectives. Accordingly, different rates quoted may not reflect all pricing issues. One rate might be **full-service** while another might be **triple net**. This could result in as much as a \$5.50 per square foot price difference. One property may provide an allowance for tenant finish, while another will not. One property's lease rates may be based upon the **gross square footage** of the building, while another will be based upon the **usable square footage**. The State's negotiating position can be reduced if all issues are not encompassed during the leasing process. In general, DPW seeks to negotiate leases directly with the owner or the owner's agent in order to secure the best possible pricing for a leased facility.

An agency's Facility Coordinator should contact DPW with its request for space, using the [Facility Use Standards Sheet](#) to determine the square footage requirement. DPW's Leasing Manager may know of space available and offer some alternatives. The leasing process and the approval of the lease can be accommodated in a timely fashion if appropriate procedures are followed.

### **f. Leasing Facilities 3,000 Square Feet and Above**

A **Request for Proposal** (RFP) is issued by DPW for the leasing of facilities three thousand square feet and above. The RFP will be developed by DPW on behalf of the agency seeking space. The RFP will be based upon the [Facility Use Standards](#) discussed previously, together with the agency's specific space needs. If the proposed new space will represent an expansion of the size of the facility, the agency will need to demonstrate the need for the expansion and how the facility fits into the agency's five (5) year facility plan. A preliminary range of lease rates shall subsequently be furnished to the agency by DPW for budgeting purposes.

DPW will contact the real estate and development community in the targeted area and post the RFP on the DPW home page after the RFP has been reviewed and approved by the agency. If the agency knows anyone who may be interested in providing space to the State, that person can readily be contacted. Copies of the RFP will be given to the agency and to the city and county officials in the area where the request is made. The RFP will have a deadline which can be anywhere from three to six weeks, depending on market conditions and the complexity of the proposal. Proposals received after the closing date will not be considered until and unless all other proposals are disqualified.

Before the proposals are opened, the agency must complete an **RFP Rating Factors** sheet [See Forms, page 30] and return it to DPW. DPW must also have on file a letter from the Director of the agency indicating a desire to enter into the RFP process and an awareness of the financial implications of the RFP, utilizing the preliminary estimates previously provided by DPW. A copy of this letter will be sent to the agency's respective budget analyst in the Division of Financial Management.

Proposals will initially be reviewed by DPW's State Leasing Manager for completeness. The Leasing Manager will then meet with the agency to review the proposal. Proposals are ranked by criteria developed by the agency and in accordance with standards established by DPW. A [Lease Proposal Ranking Sheet](#) [click for [definition](#)] is used to evaluate different properties to ensure that a competitive and impartial bidding process has been undertaken. If the agency is not familiar with the properties, the agency may visit the top properties. All information in the proposals must remain confidential until a lease is signed. Properties which do not provide adequate accommodations for the disabled or which do not conform to local zoning requirements will be disqualified from consideration. If the top ranked proposal meets the needs of the agency, negotiations take place with the Lessor. If no acceptable proposals are received, DPW, in conjunction with the agency, will search for alternative sites. The leasing process may take as little as one month or up to one year, depending on the complexity of the space need.

The State reserves the right to disqualify all proposals and take the necessary action to obtain suitable facilities. **If no acceptable proposals** are received, DPW will work with city, county and business leaders to resolve the agency's facility needs.

#### **g. Preparation of the Lease Agreement**

After negotiations with the Lessor have been completed, the Lease Agreement will be prepared by DPW and copies sent out to the agency for review. DPW requires the use of its standard lease form. Leases can vary in length from one (1) to five (5) years, depending on the agency's needs and economic factors. Leases over five years require special approval from the **Permanent Building Fund Advisory Council**. Business terms within the lease are negotiable, but the standard language in the lease document cannot be amended.

As indicated above, DPW will prepare all leases for all agencies. A **Lease Information** sheet [See: Forms, page 64] has been developed to assist you. In addition, DPW has developed a wide variety of special lease provisions in order to protect the State's interests. Some of these provisions include:

- First right of refusal on adjacent space (provides agency with ability to expand in the future);
- Costs of construction to be paid by agency (if agency is reimbursing Lessor for the costs of construction and costs are to be paid either on a lump sum basis or **amortized** (financed) over term of the lease);
- **Consumer Price Index** escalations during term of lease;
- Rent escalation due to increases in real estate taxes, operating expenses, or utilities;
- Specifications for tenant finish;
- Options to renew lease;
- Rent escalation at set amounts during term of lease;
- Right to purchase at an appraised value; and
- Right to purchase at a specified price.

#### **h. Execution of the Lease Agreement**

The lease is to signed and notarized, first by the Lessor and then by the agency. Leases must be

signed by an individual who is authorized to commit agency funds and to bind the agency. Typically, leases are signed by the agency director.

After signing, all three copies of the lease should be sent to DPW for approval. The Lease Agreement is not a binding agreement until all signatures have been obtained. Until this, agencies should not move into the facility. After the lease is approved, DPW will return one (1) copy of the lease to the Lessee and one (1) copy to the Lessor.

#### **i. Construction of Tenant Improvements**

An architect may take from three (3) weeks to several months to complete the plans, depending on the complexity of the project. The final set of plans should be reviewed thoroughly by the agency to assure that it is obtaining the facility and amenities it envisioned. The building owner will be required to have the property properly zoned and to obtain all [building permits](#) and approvals. Construction may take from three to ten months, depending on the builder, complexity of the building, site work required, weather, and any unforeseen conditions.

Changes after construction has begun can result in significant time delays and unanticipated costs to the agency. Any changes to plans and specifications must be detailed in writing, typically in the form of a [Construction Change Order](#). Any change orders requested by the Lessor should have the prior written approval of the agency and should be done at the cost of the Lessor. If the agency wants any change to the plans and specifications after construction has begun, it can result in additional costs to the agency and may delay occupancy. All costs and terms of payment must be documented prior to commencement of any changes in construction and must be approved by the agency's Facility Coordinator. These additional costs can be paid by the agency in a lump sum or they can be amortized over the period of the lease. Detail concerning any change orders must be sent to DPW's Leasing Manager so that lease amendments may be prepared. In addition, all tenant improvement costs paid by an agency must be included in the Lease/Purchase Model. If these costs arose after the Lease/Purchase Model was completed, a revised analysis must be done.

#### **j. Moving**

Toward the end of the construction process, the agency should plan its move. The Lease commencement date may have changed due to construction timing. If this is the case, the Lease will start upon the actual date of occupancy of the facility. The actual lease commencement date should always be documented in writing because it will determine when the lease expires and when rent escalations, if any, take effect.

Once the construction or remodel is finished, **DO NOT** move in until the Lessor has provided a copy of the **Occupancy Permit** (also known as a Certificate of Occupancy). This is generally issued by the local building authority. This permit indicates that the Lessor has obtained all necessary approvals, and that the building has been inspected and is ready to occupy. Please send a copy of the permit to DPW's Leasing Manager. The agency must also inspect the premises before occupancy to identify anything that may not be as agreed, is incomplete or is damaged. **This is a requirement under the terms of the Lease Agreement.** Note any items needing attention and the general condition of the building.



A list of all items requiring further attention from the Lessor should be completed and delivered to the Lessor immediately. It is very important that this be in writing and is commonly called a **Punch List**. Request from the Lessor a schedule of when each item will be completed. Depending on the severity of the items needing attention, the agency may elect not to occupy until all the work is complete. Please bear in mind that it can be difficult to persuade a Lessor to do some minor work in a facility after the agency has moved in, especially if the rent has been paid in advance for a year.

**NOTE:** Your agency may have a Facilities Management group that does many of these items. If so, you should contact your Facilities Management group if you have questions.

Moving is a job for professional movers. State employees are generally not expected to move office furnishings. The State is not responsible for moving personal items belonging to the staff. The staff will be required to box up personal items. The success of a move depends on the preliminary planning and scheduling of each phase of the move. The agency should designate one (1) of its staff to be a "Moving Coordinator" as soon as the decision to move is made. If the moving cost is over \$5,000, a formal bid is required. A minimum of eight week's lead-time is required for many of these items. If there is any question about the exact date the property will be ready, let all the involved parties know. If occupancy will be delayed, the Moving Coordinator should revise all schedules and notify all appropriate parties.

**k. Moving Tasks and Contacts**

<b>A Minimum of Eight (8) Weeks Before the Move</b>	
• <b>Phones &amp; Wiring:</b>	Contact Telephone Services as soon as new facility is identified @ (208) 332-1845.
• <b>Computers &amp; Wiring:</b>	Contact Network Services as soon as new facility is identified @ (208) 332-1853.
• <b>Moving Company:</b>	Contact Purchasing @ (208) 327-7465 for Moving Contract, Correctional Industries (208) 334-5310, or use bid process for a Moving Contract. Coordinate move w/Moving Company, agree on moving procedures & notify of any equipment requiring special handling or disassembly.
• <b>Clients:</b>	Notify with signs or change of address cards. Reschedule hearings or large meetings.
• <b>Vendors:</b>	Notify with signs or change of address cards.
• <b>Leased Equipment:</b>	Arrange for move of leased equipment by owner (sometimes applies to copy machines).
• <b>Stationary:</b>	Order new stationary with new address (verify new suite number with new Lessor).
• <b>Publications:</b>	Send in change of address.
• <b>Special Equipment:</b>	May need to arrange for disassembly and reassembly of special equipment.
• <b>Furniture:</b>	Order new furniture, if any, and arrange for it to be delivered to new facility.
• <b>Current Lessor:</b>	Notify Lessor of your targeted date to vacate the Premises.
• <b>New Lessor:</b>	Check on tenant finish and targeted completion date.
• <b>Off-site Storage:</b>	Make arrangements for storage of old records and equipment not needed in office area.
<b>Two (2) to Four (4) Weeks Before the Move</b>	
• <b>Phones &amp; Wiring:</b>	Confirm moving date with Telephone Services (208) 332-1845.
• <b>Computers &amp; Wiring:</b>	Confirm moving date with Network Services (208) 332-1853.
• <b>Moving Company:</b>	Confirm moving date with mover.
• <b>Utilities:</b>	If not provided by Lessor, make arrangements to have turned on prior to move-in date.
• <b>Current Lessor:</b>	Confirm moving date and schedule elevators and loading docks with management company.
• <b>New Lessor:</b>	Confirm moving date and schedule elevators and loading docks with management company.

<ul style="list-style-type: none"> <li>• <b>Staff:</b> Appoint office representatives for inter-agency contacts, assign responsibilities, &amp; begin purging inactive files. Arrange to store old records &amp; equipment not needed in office area.</li> </ul>
<b>One (1) to Two (2) Weeks Before the Move</b>
<ul style="list-style-type: none"> <li>• <b>Mail Service:</b> File change of address. For Boise metro area, coordinate with State Postal Services, (208) 332-1950. If outside of Boise metro area, file change of address w/ the U.S. Postal Service.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Staff:</b> Pack personal office supplies and active material.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Moving Company:</b> Have moving boxes and packing material delivered.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Computers</b> Update State Home page and electronic directory as needed.</li> </ul>
<b>The Week of the Move</b>
<ul style="list-style-type: none"> <li>• <b>Old &amp; New Lessor:</b> If secure building, issue passes to moving personnel.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>New Facility:</b> Inspect to make sure all work has been completed. Obtain copy of the Certificate of Occupancy and send to DPW. List any items that need to be completed and establish a firm timetable for completion. <b>If Premises are not acceptable, call DPW immediately!</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Staff:</b> Issue keys to new building &amp; retrieve old keys. Remove valuables &amp; personal property.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Old Lessor:</b> Schedule final walk-thru, arrange for final cleaning, repairs, or maintenance and for return of security deposit. <b>MAKE SURE ALL STATE PROPERTY IS REMOVED FROM THE PREMISES.</b> Rent accrues until all property is removed. Return all keys &amp; remote controls.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Utilities:</b> Make sure utilities for old facility are no longer in agency name.</li> </ul>
<b>After The Move</b>
<ul style="list-style-type: none"> <li>• <b>Moving Company:</b> Make a list of items needing repair or replacement.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Lease Agreement:</b> Notify DPW that you have occupied so firm lease commencement date is established.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Lease Management:</b> Send DPW any proposed changes to the lease &amp; copies of any billings during the term of the agreement (such as annual CPI escalations, operating expense adjustments, etc.).</li> </ul>

## 2. OCCUPYING A LEASED FACILITY

### a. Lessor's Rules for the Building

In many leased facilities, the Lessor will adopt Rules and Regulations for the building. These usually apply to such items as parking, noise, odors, and other building management issues. Rules and Regulations are generally enforced on a uniform basis, and are designed to benefit all occupants of the facility. It is beneficial to have these Rules and Regulations posted for the agency employees in order to avoid misunderstandings.

Leasing a facility places a certain level of responsibility on the agency to take care of the facility and to supervise its employees and invitees. Many employee-conduct issues are covered within each agency's personnel procedures; however, Executive Order 2000-01 requires that all State leased facilities be designated as "non-smoking".

### b. Problems with the Lessor

Agencies should be familiar with the Lease Agreement and the services that the Lessor is required to provide. If the level of services specified in the Lease Agreement are not being provided, ask the Lessor to provide them. If the Lessor does not respond quickly, begin detailing on a daily basis the problems and what action, if any, taken by the Lessor to correct them. It is beneficial to document any issues in writing to the Lessor. If you continue to be dissatisfied and receive no appropriate

response from the Lessor, contact your Facility Coordinator or DPW. DPW will contact the Lessor and request the Lessor provide the services required under the Lease Agreement. In most cases, the Lessor will be willing to work with the agency to avoid any misunderstandings.

**c. Alterations**

The Lease Agreement provides that neither the agency nor the Lessor may “make any alterations, additions or improvements...without the written consent of the other.” Alterations can vary from re-painting to a major remodeling project. Any major alterations that would require a building permit, should be approved by the [Division of Building Safety](#) prior to construction being started.

If alterations to a leased facility are being planned, the written consent of the Lessor must always be obtained before any work begins. This may be done in the form of a letter or an amendment to the Lease. Please call DPW if you are considering having alterations done to the facility, aside from re-painting or minor re-decorating. If the work is being done by the Lessor at the Lessor’s expense, the agency would want assurances that the staff and the equipment in the building are protected and the work will be completed in a timely fashion.

It is highly recommended that the agency not take on the responsibility of the alteration, but have it done by the Lessor. Generally, a property owner prefers to have the work done by his own staff. If an agency is contemplating having the work done by a contractor not affiliated with the Lessor and has obtained the approval of the Lessor, please call DPW before any agreements are signed.

If the agency is paying for alterations or remodeling on a leased facility, these costs must be taken into account in the Lease Purchase Model since they are costs of occupancy. If this analysis has already been completed, it will need to be revised. The cost of the alterations or remodeling would be shown on a per square foot basis and would apply if the cost is being paid up front or is being amortized over the term of the lease. See below for examples:

<b>Leased Area</b>	<b>Base Lease Rate</b>	<b>Tenant Improvement Cost</b>	<b>Balance of Lease Term Remaining</b>	<b>Tenant Improvement Cost/Sq Ft (Per Year)</b>	<b>Total Occupancy Cost</b>
<b><i>Example One: Cost of Tenant Improvements Paid on a Lump Sum Basis</i></b>					
2,000 Sq Ft	\$13.50/Sq Ft	\$12,500	3 Yrs.	\$ 2.08 (Calculated by Dividing the Tenant Improvement Cost by the Sq Ft by the Number of Yrs Left on the Lease.)	\$ 15.58 (Calculated by Adding Base Lease Rate to Tenant Improvement Cost/Sq Ft.)
<b><i>Example Two: Cost of Tenant Improvements Amortized (Financed) Over the Term of the Lease or Over a Certain Period of Time</i></b>					
2,000 Sq Ft	\$13.50/Sq Ft	Pd @ 200/mo	4 Yrs.	\$ 1.20 (Calculated by Multiplying the Monthly Tenant Improvement Cost Times 12, then Dividing by the Sq Ft.)	\$ 14.70 (Calculated by Adding Base Lease Rate to Tenant Improvement Cost/Sq Ft.)

#### **d. Security**

The best time to consider having alterations performed on a leased facility is at the time the lease is nearing its expiration. Rather than facing the prospect of having to re-lease the space to another tenant, the Lessor may consider performing the alterations at his own cost. This is also the time to ask for re-painting, new carpet, or additional parking.

Each agency's Facilities Coordinator should control the distribution of keys and card keys to facilities. A minimum of master keys should be distributed. Most State employees (except facility maintenance staff) should be given single use keys. Mechanical and computer rooms should be kept locked to control access. For security reasons, any lost or stolen keys must be reported immediately to the State Security Manager and to the Lessor.

Additional information on security issues may be found on Facility Services Website at <http://cms.idaho.gov/security>. Any additional security concerns or questions should be addressed to the State Security Manager.

#### **e. Billings and Rent Escalations from the Lessor**

The Lessor is required to send the agency an invoice for the rent. Upon receipt, the rent bill is sent to the State Controller's office for payment. Many agencies have the ability to pay the rent annually in advance. This provides a benefit to the Lessor as it can offset some of his initial expenses and the Lessor does not need to send out monthly rental invoices. As such, it is typical to request a prepayment discount which can range from three to seven percent.

Some leases have escalation provisions. Any rent increase should be verified by comparing the rent invoice to the lease agreement. While many rent increases are stated in the lease, some increases are based upon variables such as the Consumer Price Index (CPI) or an increase in operating expenses. A Consumer Price Index increase can be verified by checking the lease to establish that the right indexes are being used, reviewing the calculations and by looking at the U.S. Bureau of Labor Statistics Website at <http://www.bls.gov/cpi/>.

Some leases will have escalations based upon the facility's operating expenses. Facility expenses could include real estate taxes, insurance or various other operating expenses, such as common area maintenance, utilities, janitorial service, lawn maintenance, etc. Escalations can be determined by *increases* in operating expenses. These are frequently called Operating Expense Stops. Other escalations can provide that the entire amount of the expense be billed to the agency. These escalations are frequently called Operating Expense Pass-Throughs. A triple net (NNN) lease will pass through all expenses of the property, except for the owner's debt service costs.

There is no universal escalation provision, nor any standard definition of what is considered an operating expense for escalation purposes. Some escalation provisions will cap (limit) the amount of increase to be billed to an agency to a certain percentage per year. Escalation provisions can be difficult to understand and can vary from building to building and owner to owner. Whenever a billing for operating expenses is received, it should be reviewed. In order to do so, the lease, all amendments made to the lease, and all previous billings should be readily available for review. A mini-work-sheet is provided on the following page to check these types of billings.

If there are any questions, please call DPW.

Other leases may have rent escalations which spell out pre-determined rental amounts at certain intervals during the term of the lease. This is frequently called a step rate lease. This type of lease can be advantageous to an agency because it knows in advance how much the rent will increase during the time the lease is in force.

**f. Verification of Operating Expense Billings**

<b>OPERATING EXPENSE CALCULATOR</b>					<i>To Verify Amount Billed:</i>	
Increase Over Base Yr:	Base Yr Bill:		%Leased:		Current Yr Bill – Base Yr Tax Bill x Percent Leased = Amount Billed.	
	Current Yr Bill:		Amount Billed:			
<b>Increase Over Base Amount</b>	Base Yr Amount:		% Leased:		Current Amount – Base Yr Amount x Percent Leased = Amount Billed.	
	Current Amount:		Amount Billed:			
<b>Entire Amount</b>	Current Yr Bill:		% Leased:		Current Yr Bill x Percent Leased = Amount Billed	
			Amount Billed:			
<b>VERIFY FOR ALL BILLINGS (TAX, INSURANCE &amp; OPERATING):</b>					Checked	
If paying on an estimated basis, has a reconciliation of previous bills been received?						
If vacating this yr, has the billing been adjusted to reflect only a partial yr's occupancy?						
Is percentage leased correct? Verify with Lease Agreement and any amendments to the lease. If expanded leased area, is billing adjusted for smaller space and then increased for larger space when took occupancy of the larger area?						
Was bill received within the time frame called for in the lease?						
Are there any <b>caps</b> on the amount of increase? Are the <b>caps</b> annual or cumulative?						
<b>Are any late fees or penalties included in the billing from the Lessor? The State should not be responsible for these fees or penalties.</b>						
<b>Have any additions been made to the property? Has a pad site been developed and is it separately assessed, insured, or lighted? Is the size of the leased area correct?</b>						
<b>REAL ESTATE TAXES</b> <i>Tax Billing to be paid:</i> <input type="checkbox"/> <b>Monthly</b> <input type="checkbox"/> <b>Upon receipt of</b>						
Billing based on: <input type="checkbox"/> Increase Over Base Year, <input type="checkbox"/> Increase Over Base Amount, <input type="checkbox"/> Entire Amount of Bill						
<b>Additional Items to Verify (Lessor should include a copy of the tax bills w/ statement)</b>					Checked	
Base Year Tax Bill (or Base Year Amount) should reflect a fully assessed property (i.e., tax bill should show a billing for both land and improvements.)						
If bill appears to be very high, the following items may be useful:						
Obtain copy of paid receipt from Lessor. Does it match billing? <input type="checkbox"/>						
Does the tax bill include any special assessments? Usually excluded from tax billing. <input type="checkbox"/>						
Were taxes protested? <input type="checkbox"/> Were the taxes reduced? <input type="checkbox"/> What was the cost to reduce the taxes? <input type="checkbox"/>						
<b>INSURANCE</b> <i>Insurance Billing to be paid:</i> <input type="checkbox"/> <b>Monthly</b> <input type="checkbox"/> <b>Upon receipt of</b>						
Billing based on: <input type="checkbox"/> Increase Over Base Year, <input type="checkbox"/> Increase Over Base Amount, <input type="checkbox"/> Entire Amount of Bill						
If bill appears to be very high, the following items may be useful:						
Obtain copy of paid receipt from Lessor. Does it match billing? <input type="checkbox"/>						
Obtain schedule of coverage. Does policy cover more than one property? <input type="checkbox"/>						
Has the insurance increased because of one tenant's use that has a higher risk rating? <input type="checkbox"/> Were there any claims last year? <input type="checkbox"/>						
<b>OPERATING EXPENSES</b> <i>Billing to be paid:</i> <input type="checkbox"/> <b>Monthly</b> <input type="checkbox"/> <b>Upon receipt of</b>						
Billing based on: <input type="checkbox"/> Increase Over Base Year, <input type="checkbox"/> Increase Over Base Amount, <input type="checkbox"/> Entire Amount of Bill						
Types of Expenses To Be Billed:	<input type="checkbox"/> Electricity	<input type="checkbox"/> Sewer	<input type="checkbox"/> Water	<input type="checkbox"/> Lawn Irrigation	<input type="checkbox"/> Trash	<input type="checkbox"/> Capital Expenditures
	<input type="checkbox"/> Snow Removal	<input type="checkbox"/> Bldg Maint	<input type="checkbox"/> HVAC Maint	<input type="checkbox"/> Property Mgmt Fee	<input type="checkbox"/> Assoc Fee	<input type="checkbox"/> Common Area Maint
	<input type="checkbox"/> Lawn Maint	<input type="checkbox"/> Parking Lot	<input type="checkbox"/> Gas	<input type="checkbox"/> Janitorial	<input type="checkbox"/> Other:	<input type="checkbox"/> Other:
If bill appears to be very high, the following items may be useful:						
Are any utilities specifically attributable to one tenant's operation? Has the timing for exterior lighting increased to 24 hours due to the request of one tenant?						
Do any tenants use an extensive amount of water or sewer in their operation (bakeries, photo processing, etc.?) Are these tenants separately metered or sub-metered? <input type="checkbox"/>						
Was base year amount established when building was being leased up and was not 100% occupied? <input type="checkbox"/>						

### **g. Lease Amendments or Changes to Lease Agreement**

Any leasing issue that could require an amendment to the Lease Agreement must be referred to the State Leasing Manager with DPW. Alterations to a leased space or adding to the leased space are typical amendments. A lease amendment could also include such items as the change of ownership of the building, a change in the services provided by the Lessor, or an [estoppel agreement](#). The State generally does not sign estoppel agreements - please refer all estoppel agreements to DPW. The State Board of Examiners must approve any [Assignment of Lease](#) from one owner to another. The Board meets on a monthly basis. Since timing issues may be critical, it is essential that we be provided advance notice of any such impending change. If there is any doubt, please call DPW.

### **h. Expiration Date of the Lease**

DPW sends out notification letters about upcoming lease expirations. If the agency would like to remain in the facility, the Lessor should be notified accordingly and queried as to projected renewal terms. DPW will assist in reviewing offers received from Lessors.

In some instances, DPW can negotiate a more advantageous lease rate for the agency because the Lessor may lease to five other State agencies. If you cannot reach an acceptable renewal agreement with the Lessor, **contact DPW as soon as possible!**

Renewals of leases with minimal or no increases are preferable. At this time, DPW is trying to stay below a three percent per year increase in lease rates. If the former lease contains an **operating expense provision**, the [base year](#) will need to be changed to the current year. Aside from the base lease rate, other items should be negotiated as well. It may be that “housekeeping” items, such as re-painting, carpet cleaning, or replacement, should be discussed with the Lessor. Any chronic problems, such as leaking roofs, plumbing problems or heating or cooling issues should be discussed as well.

Any Lease Agreements executed prior to March 1999 will require the preparation of a new lease document. All new leases must be on the newest version of the State lease, which was revised in March 1999. Upon agreement of the terms for renewal, a new lease agreement will be completed by DPW. Three (3) originals will be made and signed; one for the owner, one for the agency, and one for DPW.

### **i. Bi-Annual Facility Satisfaction Survey**

DPW requests state agencies currently occupying leased space fill this form out every two years. This is to the benefit of the lessee, as it provides insight to DPW. This can be useful when re-negotiating a lease during the renewal period.

2018 FACILITY SATISFACTION SURVEY		Agency			
DPW is once again performing its state-wide survey to determine how satisfied state agencies are with their leased facilities. We typically request this information every other year and use the results when reviewing lease renewals or to see if we can assist you in improving your leased environment. Please rate your facility by filling in the white sections of this survey, and return via email to Melissa.Broome@adm.idaho.gov. Please call (208) 332-1933, or e-mail, with any questions. Thank you!					
Leased Premises Address:		Sq Ft:		Expires:	
Agency Contact:					
<b>Scoring Scale:</b> 5=Excellent, 4=Good, 3=Fair, 2=Poor, 1= Unacceptable, 0=Not Applicable					<b>Score</b>
Maintenance and condition of building exterior.					
Maintenance and condition of building interior.					
Indoor air quality.					
ADA access.					
Size and usability of space.					
Building services (cleaning service, snow removal, comfort level with heating and cooling).					
Energy efficiency of heating, air conditioning and lighting.					
Exterior lighting.					
Safety of employees, clients & equipment.					
Adequate client & employee parking; suitable delivery areas; convenient access for clients.					
Adequate visibility from street, including exterior & interior signage.					
Responsiveness of building manager. Overall level and quality of service being received.					
<b>Action Requested (choose all that apply):</b>					
<input type="checkbox"/> None, we are happy at this location.					
<input type="checkbox"/> Contact Me					
Name		Email		Phone	
<input type="checkbox"/> Check here if you would like a copy of your lease. Enter your e-mail or physical address in the comments below.					
Comments:					
Total Possible Points					0
Total Score					0
Percentage					#DIV/0!



### 3. VACATING A LEASED FACILITY

#### a. Timing Issues

If the ending date of the Lease is approaching and the facility no longer meets the agency's needs, contact DPW and the leasing process will start again. DPW should have a minimum of three months lead-time for all leases. However, if facility needs are over five thousand square feet or if the needs are highly specialized, this process should be started at least one year before the end of the lease. If facility needs are over three thousand square feet, a **Request for Proposal** [See: previous section, page 8] will need to be distributed to the real estate community.

Some leases, albeit very few, may contain a holdover provision that provides for an increase in rent if an agency stays past the expiration date of the lease. In other cases, the Lessor can increase the rent after the lease expires by providing a thirty-day written notice to that effect. Since holdover provisions and rent increases could decimate even the most carefully planned budget, an ample amount of time should be provided to the search for a new facility.

Written notice of intent to vacate the facility must be provided to the Lessor. Please double-check the Lease Agreement and any amendments made to the agreement, and supply the Lessor with the required amount of notice. Typically, a minimum of thirty to sixty days' notice is required.

#### b. Returning the Facility to the Lessor

It is usually wise to inspect the facility with the Lessor prior to vacating the property. This inspection can determine what items may be considered by the Lessor to be damages. The Lessor may also believe that certain items the agency had planned to take to its new facility should remain in the building. The Lease Agreement provides that the Lessee has the right to remove **Trade Fixtures** upon lease expiration, provided that any damages resulting from the removal of the trade fixtures is repaired by the Lessee.

At this time, scheduling the use of items such as freight elevators or loading docks should also be discussed. In addition, request the Lessor's permission to leave a notice on the door for a period of thirty to sixty days, indicating the address of the new facility.

At the time the facility is vacated, care must be taken to not damage the facility. Any damages caused by the moving company should especially be noted. Arrangements should be made with the Lessor for the repair of any damages. If the agency has been responsible for the cleaning of the facility, a thorough cleaning should be scheduled. The agency should remove everything from the property. Take the trash out of the leased area and dispose of it properly. Please bear in mind that until all items belonging to the agency are removed from the property, the rent can continue to accrue.

When any damages have been repaired and the facility cleaned, return all keys, including mailbox and other miscellaneous keys, to the Lessor. If the agency was paying for utilities in the facility, arrange to have them taken out of the State's name. Verify with either the Facility Coordinator or DPW as to whether a security deposit was paid at the time the lease was signed. If so, request a refund of the security deposit from the Lessor.

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## H. LEASING TO THE STATE (FOR THE REAL ESTATE COMMUNITY)

### 1. THE LEASING PROCESS

All leases, including renewals, expansions, and lease modifications, for State facilities must be negotiated and approved by the Division of Public Works (DPW) under Idaho Code Section 67-5708. The State leases 1.97 million square feet of space at an annual cost of more than \$29 million dollars per year.

The State can represent an ideal tenant for your building. On many occasions, State agencies remain in their leased facilities for an extended period of time. Additionally, certain State agencies may be able to pre-pay their rent on an annual basis if a discount is provided to them. This annual prepayment of rent can offset a large portion of a building owner's up-front costs to place a new tenant in his building and alleviate the monthly chore of rent collection.

#### a. General Standards for Leased Space

The State leases space at a competitive market rate on a full service basis. We require the use of our standard Lease Agreement, which includes an annual funding appropriation clause as required by State law. Leases can vary in length from one to five years, depending on the agency's needs and economic factors. Leases over five years require special approval from the **Permanent Building Fund Advisory Council**. Business terms within the lease are negotiable, but the standard language in the lease document cannot be amended.

The building design must be appropriate and functional, especially with regard to specific site requirements, drainage, snow situations, and solar orientation. Lessors leasing space to the State must procure building permits, secure necessary inspections, and obtain a **Certificate of Occupancy** for the intended use prior to the lease taking effect. At a minimum, all facilities must conform to the following building and safety codes that have been adopted by the State of Idaho and the federal government.

- Idaho Code Title 67, Chapter 57, Section 8
- [http://dbs.idaho.gov/building/id\\_code.html](http://dbs.idaho.gov/building/id_code.html)
- **BOMA** International, Standard Method of Floor Measurement

#### b. How to Lease Property to the State

DPW assists State agencies in developing their short and long term space needs. DPW is to be the primary contact for lease negotiations on all facility leases. Facilities under three thousand square feet (3,000) do not require a competitive selection process. These facilities do however have to conform to State Facility Use Standards and be approved by DPW. If a Lessor has property currently available for lease, please send the information to DPW's State Leasing Manager as leasing information is kept on file for various agencies seeking space.

A **Request for Proposal (RFP)** is issued by DPW for spaces over three thousand square feet (3,000). RFP's are mailed out to the real estate and commercial development communities. They are

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also available for viewing on DPW's Website at <http://leasing.idaho.gov/>. If you would like to receive an RFP when it is issued, please send your mailing address and cities of interest to the State Leasing Manager, Division of Public Works, PO Box 83720, Boise, ID 83720-0072, e-mail: [richard.brien@adm.idaho.gov](mailto:richard.brien@adm.idaho.gov), or phone at (208) 332-1929. Generally, a deadline of four to six weeks is provided to allow respondents an adequate amount of time to develop a proposal.

The intent of the **RFP** is to secure a preliminary concept of facilities being offered and their related costs. Exact floor plans are not required. As such, "bubble" diagrams and other such conceptual tools could be acceptable proposal exhibits in lieu of scaled floor plans.

A **Lease Proposal Form** [See Forms, page 30] must be filled out completely in order for the lease proposal to be considered. Proposals are to base facility costs upon **Net Rentable Area**, as defined by the **Building Owners and Managers Association (BOMA)** standard for measuring floor space. At the discretion of DPW, the lease proposals received may also be used for the procurement of leased space for other State agencies.

Proposals are evaluated upon an established set of criteria and a weighted evaluation. Information provided in the proposals, together with an established set of criteria, is used to weigh proposals received. Samples of the State's ranking system are located in the Forms section [See Forms, page 30]. All proposals will remain confidential until a lease has been awarded. Proposals will be ranked and negotiations will begin with the representatives of the top ranked proposal. If negotiations are successful, a lease will be completed. Should negotiations be unsuccessful with the top Offeror, negotiations will be opened with the second ranking Offeror and so forth until a suitable lease is obtained. The State reserves the right to disqualify all proposals as unacceptable and to take any necessary action to obtain suitable space.

## **2. BUILDING OPERATIONS AND DAY-TO-DAY MANAGEMENT**

After a lease has been signed and the facility has been accepted by the agency, coordination of all day-to-day leasing matters resides with the agency occupying the space.

The agency generally will appoint a liaison to work with you on items such as the maintenance of the building and payment of rent. Please note that you must send an invoice to the agency for payment of the rent. The invoice is then sent to the State Controller's office for processing.

Any leasing issues that would require any form of amendment to the Lease Agreement must be referred to the State Leasing Manager with DPW. This would include such items as lease **estoppel agreements** and change of ownership of the building. The State generally does not sign estoppel agreements. Please refer all estoppel agreements to DPW. The State Board of Examiners must approve any **Assignment of Lease** from one owner to another. The Board meets on a monthly basis. Since timing issues may be critical, it is essential that we be provided advance notice of any such impending change.

In addition, any leasing issue which envisions the agency expending any sum of money aside from that detailed in the lease agreement should be referred to the State Leasing Manager with DPW. This would include such items as improvements made to the leased premises on behalf of the agency and to be billed to the agency. All lease renewals should also be referred to DPW.

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The State recognizes the importance of the real estate and development community in providing its agencies with quality leased facilities. While our desire to obtain the very best deal possible for the State agencies can oftentimes place us in a competitive stance, we truly feel the results of our negotiations have provided us with the best landlords and the best facilities in the State. Please do not hesitate to contact us if you have any questions or concerns.

## I. DEFINITIONS (In alphabetical order)

**ADA:** The Americans with Disabilities Act (ADA) is a federal law, enacted in 1992 to assist people with disabilities to obtain access to public facilities. All state facilities which are accessed by the public are required to comply with ADA. The most commonly known barriers are access to the building, functional restroom facilities, elevators to upper levels and adequate parking. Other requirements apply to ramps, minimum pounds of pressure required to open doors, height for drinking fountains and sinks, sizes of toilet rooms, placement of hand rails, and fire alarms.

**Additional Rent:** See: **Operating Expense Pass-Through.**

**Amortization:** The gradual reduction of debt by periodic payments of interest and principal over the term of a loan. Typically, an amortization schedule is based upon monthly payments. If annual, semi-annual or quarterly payments are contemplated, the amortization schedule must be revised accordingly.

**Assignment of Lease:** If there is a change in ownership of the property, the lease must be assigned. Only the State Board of Examiners can approve an assignment of a State lease. A form will need to be filled out by both the old and new owners requesting recognition of assignment. DPW will also request additional information relative to the new owner's financial capability and commercial real estate experience to ensure the agency will retain a certain degree of services after the lease assignment. Payments to a new owner cannot be made until the assignment is made and approved. Another form of lease assignment is when the **Lessee** (tenant) wishes to be replaced by another **Lessee** (tenant).

**Base Year:** A selected period of time against which changes in other years are calculated. Typically used in constructing an index number for escalation of rent due to increases in operating expenses of a building.

**Break-Even Year:** Used in the Lease Purchase Model. It is calculated by comparing the cumulative cost of leasing to the cumulative cost of buying. The year the cost to purchase is equal to or less than the cost to lease is the breakeven year.

**Building Codes:** These codes are to provide safe and functional facilities and apply to new construction and remodeling projects in both owned and leased properties. Building Codes cover mechanical, plumbing, life safety, national electrical and the Uniform Building Codes. The Division of Building Safety reviews all plans and specifications for new buildings and major remodels.

**Building Owners and Managers Association (BOMA):** An international organization serving the needs of the office building industry. The organization has developed a standardized method of

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measuring office space.

**Building Permit:** A Building Permit is issued by the local building authority and allows construction or remodeling of a facility to begin. A building permit is required for all construction performed on behalf of the State.

**Build to Suit Lease:** Construction of a new building to be constructed to meet the specific needs and use of the agency.

**Cap:** A limit on the amount of increase. This can be expressed either in terms of a percentage of a dollar figure. May also be referred to as a “ceiling.”

**Common Area:** Areas that cannot be leased to a Lessee (tenant), but are used by all tenants “in common”. Hallways, restrooms, and building entrance lobbies are several examples of common areas.

**Common Area Maintenance Costs:** Expenses attributed to the operation of the building as a whole, which cannot be broken out and assessed to individual tenants.

**Construction Change Order:** A document specifying any changes to construction specifications. When used for tenant finish work, it should detail if the Lessee or the Lessor will incur any additional costs or if the contemplated changes will result in any time delays. All changes must be in writing and must be authorized by the appropriate parties to the transaction.

**Consumer Price Index (CPI):** Figures constructed by the U.S. Bureau of Labor Statistics that measures consumer purchasing power by comparing current costs of goods and services to those of another period of time. Typically used in the escalation of rents. When a Consumer Price Index is used, it is preferable to have a cap (or ceiling) on the amount of increase that can be billed to the Lessee.

**Cost Ratio:** Used in the **Lease Purchase Model** which was developed as a tool to determine whether it is more cost effective to lease or to acquire a building. If the Cost Ratio is below 1.00, the acquisition of a facility should be considered. The Cost Ratio is calculated by dividing the net present value of the acquisition alternative by the net present value of the leasing alternative.

**Division of Building Safety:** Provides the citizens of Idaho and the building industry with a comprehensive and centralized resource promoting health, safety, and welfare by ensuring compliance with Statewide codes, standards, and regulations. For more information visit <http://dbs.idaho.gov>.

**Estoppel Agreement (or Estoppel Certificate):** An estoppel certificate is typically used when an owner is selling or re-financing a building. It is a signed agreement by a party, such as a tenant, certifying for the benefit of another party (typically a lender) that a certain statement of facts is correct as of the date of the statement. Some of the statements could be that a lease exists, that there are no defaults, and that the rent is paid to a certain date. Delivery of the statement by the tenant prevents (estops) the tenant from later claiming a different state of facts. The State generally does not sign estoppel agreements. Refer all estoppels to DPW, and do not sign them or agree to sign them.

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**Expense Stop:** A provision in a lease permitting the Lessor to bill Lessee for increases in operating costs such as real estate taxes, insurance, utilities and building services. An expense stop can be based upon a **Base Year** or upon a certain dollar amount.

**Facilities Standards Sheet:** Form used to evaluate agency's current and future space needs. It determines the maximum allowable leased area.

**Full Service Lease:** A full service lease includes all utility costs (excluding phone), janitorial services, property taxes, grounds-keeping, snow removal, and general building maintenance. It is preferable to have a full service lease and to have the Lessor responsible for all of the building functions.

**HVAC:** Heating, ventilation, and air-conditioning system serving the building.

**Lease Proposal Ranking Sheet:** Used to evaluate different properties. Properties which do not provide adequate accommodations for the disabled or which do not conform to local zoning requirements will not be considered.

**Lease Purchase Model:** An Excel workbook used to compare the costs of leasing versus the cost of building a new facility. Can be readily adapted to suit a wide variety of situations, including the purchase of an existing facility. The model is updated annually to reflect changing market conditions and takes into account such factors as moving costs, financing rates, and building costs.

**Lease, Standard Lease or Agreement:** The document used by the State to legally use and occupy the property. The latest version is dated March 1999. No changes can be made to a Lease Agreement unless the changes are made in writing and are approved by DPW.

**Lessee:** The State of Idaho and the occupying agency. The agency is responsible for the rent payment and the daily dealings with the Lessor. Lessee is sometimes interchangeable with **tenant**.

**Lessor:** The owner or owner's agent for the facility. In some cases, the owner may be an absentee landlord and have an agent represent him in the daily dealings with the tenant. Lessor is sometimes interchangeable with **landlord**.

**Load Factor:** The percentage of space that is added to usable area to account for hallways, restrooms, lobbies, and mechanical areas.

**Memorandum of Understanding (MOU):** An inter-agency agreement between the Department of Administration and an agency seeking to occupy space in a State owned building. Also used by agencies to sub-lease their space or a portion of their space to another agency. The agreement defines the rights and obligations of the respective parties with regard to rent, areas to be used, reimbursement for use of copy machines, etc.

**Net Rentable Area:** See **Rentable Area**.

**NNN Lease:** See **Triple Net Lease**.

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**Occupancy Permit:** An Occupancy Permit (also known as a Certificate of Occupancy) is issued by the local building authority and indicates that the building has been inspected, meets the applicable building codes for that jurisdiction, and is “safe” to occupy. A Temporary Occupancy Permit may be issued that allows occupancy but still has some items to be completed. For example, a temporary occupancy permit could be issued, pending the completion of the parking lot when weather permits.

**Operating Expense Pass-Throughs:** A lease provision allowing increases in operating expenses, such as utilities, real estate taxes, janitorial service, and insurance, to be billed to the tenants. Increases are “passed on” to tenants on a **prorata basis**, which is the proportionate share of the area leased as compared to the total area of the building. These increases can either be based upon a **Base Year** or upon a fixed amount per square foot, which is known as an **Expense Stop**. Some of these provisions can become quite unwieldy. Language has been developed to make these provisions less onerous to the State. Please call DPW so any proposed operating expense provisions can be reviewed and tailored to fit your needs. Operating Expense Pass-Throughs are sometimes called **Additional Rent**.

**Permanent Building Fund Advisory Council:** A five-member council created by the Legislature whose members are appointed by the Governor. The council oversees construction, renovation, and repair projects of State-owned property, in addition to approving facility leases on a statewide basis.

**Plans and Specifications:** These are the guides for a remodel or building project. They include a full set of Plans (drawings), sometimes called blueprints, giving the dimensions of the project. The Specifications (or specs) are a description of the materials used and methods for installation.

**Prorata Basis:** The proportionate share of the area leased as compared to the total area of the building.

**Punch List:** A list of all the construction items that are deficient according to the original specifications, plans, or codes. These items need to be completed by the building owner or the contractor performing the construction or the remodel. It is generally better if punch list items are completed prior to taking occupancy. At the minimum, punch list items need to be in writing so your objections are on record and a timetable for completion should be established.

**Request For Proposals (RFP):** A document and process used for procuring leased space. The document is an overview of agency needs and response requirements. The RFP is sent to Building Owners, Managers, Realtors and any interested parties in the area where space is needed. It ensures that the State is utilizing a competitive process to acquire leased space over three thousand (3,000) square feet.

**Rentable Area:** The **usable area** plus common areas such as hallways, lavatories, and elevator vestibules. The State generally leases buildings based upon rentable area. In more general terms, rentable area is the actual space occupied by the agency, plus the building’s shared facilities. It can be important to find out the **load factor** of the building because the agency is charged for a share of the building’s shared facilities. This is sometimes referred to as **Net Rentable Area**.

**Step Rate Lease:** A lease where the rental rate is increased by a predetermined amount at fixed

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intervals during the term of the lease.

**Tenant Improvement Allowance:** A **Lessor's** allowance for constructing the interior of a facility. Generally, a tenant improvement allowance refers to such items as carpeting, doors, lighting fixtures, interior walls, window coverings, etc. It does not encompass mechanical or plumbing systems.

**Trade Fixtures:** Items placed or installed in a building which belong to the **Lessee** and which are used by the Lessee in the conduct of its business. It can include such items as shelving, reception counters, and specialized lighting.

**Triple Net Lease (NNN):** The **Lessee** (tenant) of the building pays for all costs related to the use and occupancy of the building. This would include taxes, insurance, utilities, janitorial, maintenance of mechanical equipment and common area maintenance. The Lessee furthermore can be required to maintain the property, including the structural and mechanical components of the building. In most cases, a triple net lease does not represent a good lease for the State.

**Usable Area:** On a multi-tenant floor, usable area is the total size of the floor less hallways, elevators, restrooms, etc. On a single tenant floor, usable area is the total size of the floor less the building lobby, HVAC ducts, stairwells and elevators.



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## J. FORMS

Forms can be found on our website at <https://leasing.idaho.gov/forms-and-information/>. See below for descriptions and links.

[Facilities Questionnaire](#): This form assists the Division of Public Works in understanding the needs of an agency. The completed form is required prior to the approval of any new lease or lease renewal.

[Facility Use Standards](#): Used to determine space needs.

[Lease Purchase Model \(see Lease/Purchases Analysis Modeling Tool\)](#): Helps state agencies determine the lowest responsible cost to the taxpayer for as long as the facilities are expected to be needed. See also Lease Purchase Modeling Instructions.

[5-Year Plan/Facilities Need Summary](#): Used to project future space needs. This form is required to be submitted to DPW each September for both leased and owned facilities.

Proposal Forms ([Office Space](#), [Retail Space](#)): These forms are used to submit a proposal in response to a Request for Proposals.

[Facilities Request Form](#): Used when a State Agency is requesting new or additional leased space.

[Lease Proposal Ranking Sheet](#): Used to rank RFP submittals.

[Lease Information](#): Used to quickly determine the specifics of an executed lease agreement.

[RFP Rating Factors](#): Outlines rating percentages for rating RFP submittals.

[Request for Proposals](#): Used to request proposals from the real estate community when an agency is looking for leased space.

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## 12. REQUEST FOR PROPOSALS

Current Requests for Proposals can be found on our website at <https://leasing.idaho.gov/requests-for-proposals-rfps/>. Please see below for a sample RFP.