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October 31, 2019

This letter is in response to your U.S. General Services Administration (GSA) Freedom of Information Act (FOIA) request number (GSA-2019-001717), submitted on September 21, 2019, in which you requested the following:

"A copy of each of the internal GSA Real Estate Appraisal Guides, Handbooks, Procedures and Guidance used in the Office of the Chief Appraiser of GSA for preparation of real estate appraisals, for example in Nick Hufford 's office."

Enclosed please find the document responsive to your request.

This completes our action on this FOIA request. Should you have any questions, please contact Nicholas Hufford at (202) 501-2055 or by email at [nicholas.hufford@gsa.gov](mailto:nicholas.hufford@gsa.gov). You may also contact the GSA FOIA Public Liaison, Audrey Brooks, at (202) 205-5912 or by email at [audrey.brooks@gsa.gov](mailto:audrey.brooks@gsa.gov) for any additional assistance and to discuss any aspect of your FOIA request.

Sincerely,

*Travis Lewis*

Deputy Director  
Office of Accountability and Transparency  
Office of Administrative Services

Enclosure



**PUBLIC BUILDINGS SERVICE**

**FAIR ANNUAL RENT APPRAISAL PROGRAM  
INSTRUCTIONS TO REGIONS**

**MAY 2011**

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## **Fair Annual Rent Appraisal Program**

### **Instructions to Regions**

The General Services Administration (GSA) is the Federal agency responsible for acquiring civilian office, warehouse, parking, and unique space for occupancy by the U.S. Government.

The GSA Federal Buildings Fund (FBF) is an intra-governmental revolving fund that finances the cost of acquiring, managing, and maintaining U.S. Government real estate under the legal custody and control of GSA. The FBF was authorized and established by the Public Buildings Amendments of 1972 (Public Law 92-313, 40 U.S.C. §592, as codified by Public Law 107-217).

The FBF is supported by rental charges paid to GSA by Federal agencies occupying space that GSA controls and maintains. By law, rates charged for occupancy are determined by the Administrator of General Services and approximate commercial rates for comparable space. Rental rates are based on independent rent appraisals that reflect a market rate rent for a 5-year period.

To manage the appraisal and rate-setting process, GSA's Office of Real Property Asset Management (RPAM) through the Asset Management and Valuations Division (PTAA) administers the Fair Annual Rent (FAR) Appraisal Program. Responsibility for acquiring appraisals, setting and justifying rates, and local administration of the FAR Appraisal Program rests with the PBS regional offices. Central Office has the responsibility to approve rates and appraisals before they can be used for rate-setting purposes.

These instructions provide guidance for the regions on their responsibilities in implementing the FAR Appraisal Program and provide a general overview of the processes related to the program. Questions related to these instructions should be referred to the lead appraiser for the FAR Program.

The FAR Appraisal Program is the foundation of the process through which GSA is reimbursed by other Federal agencies for occupancy in GSA-controlled buildings. The rents tenant agencies pay to GSA affect their budgets and their missions and also affect GSA's ability to reinvest in, operate, and maintain its buildings through the FBF.

Central Office has prepared a FAR appraisal process workflow chart that outlines the major tasks and defines areas of responsibility. That document, which is included in the addenda, has been provided to the regions and is an integral part of the FAR policy. It provides a chronological framework for these instructions, supporting regions in planning their FAR programs.

These instructions define the primary responsibilities of the personnel involved in the process, discuss policy matters, and describe the primary responsibilities of the regions in implementing the FAR Appraisal Program. Additionally, this document outlines and discusses existing policy, incorporating the Reforms for Appraisal and Rent Rate-Setting (hereinafter referred to as "the Reforms") included in the June 9, 2006, memorandum to assistant regional administrators from William H. Matthews, Assistant Commissioner, Office of Real Property Asset Management (see addenda).

## 1. Portfolio Director's Role

The portfolio director (PT director) holds ultimate responsibility for the function of the FAR Appraisal Program within the region. While the regional commissioner has discretionary authority to negotiate any rate, the regional PT director must approve all rates developed within the FAR process. It is the PT director's responsibility to coordinate staff and delegate responsibilities within the parameters of these instructions and, within the region organizational structure, to produce realistic, credible, rental rates on a timely basis for all buildings in the regional portfolio. The PT director:

- A. Is responsible for the overall function of the regional FAR Appraisal Program.
- B. Ensures that the regional office has appropriate staff and resources to administer the program.
- C. Develops and maintains a position description (PD) for the Regional Appraiser. The PD must be reviewed and approved by the director of Asset Management and Valuations (PTAA) at Central Office. Although needs differ from region to region, appraisal responsibilities must be consistent.
- D. Works annually with the Regional Appraiser to determine which assets to appraise for the FAR Appraisal Program and to establish realistic, market-based rates for the owned inventory.
- E. Is responsible, in consultation with the Regional Appraiser, for final regional approval of the FAR rate for each asset in the region's inventory for each fiscal year.
  - The PT director can accept recommended appraisals for the time period that he or she recognizes as appropriate, up to five years. Applicable rates for future fiscal years will be based on the projections provided in the FAR appraisals, as reviewed and accepted by the Regional Appraiser and as recommended to and accepted by the PT director.
  - If markets are changing, PT directors can accept appraisals for a time period as short as a single year and require new appraisals to establish future rates. (No more than one appraisal per year is allowed for rate-setting purposes.) Rates will then be applied to occupancy agreements (OA) in accordance with rate setting policies described here and in the Pricing Desk Guide, 4th edition.

## 2. Regional Appraiser Role in FAR Appraisal Program

The appraisal reforms require an identified Regional Appraiser<sup>1</sup> in each region. The Regional Appraiser is the key staff person with primary responsibility for implementation of the valuation components, rate determination, and database management components

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<sup>1</sup> This only describes the Regional Appraiser's role as it relates to the FAR Appraisal Program. While implementation of the FAR Appraisal Program is a primary responsibility, appraisers have many other roles and responsibilities related to other regional Portfolio or Disposal Program needs.

of the regional FAR Appraisal Program. The Regional Appraiser<sup>2</sup> coordinates with other GSA staff, realty specialists, etc., and directs staff appraisers to implement and manage the FAR Appraisal Program.

The Regional Appraiser:

- A. Is the gatekeeper of the rates and has responsibility for reviewing, approving, and managing all FAR-generated rates charged to customer agencies.
- B. Reports directly to the PT director in the region and will not be assigned additional or collateral duties that create the appearance of a conflict of interest in rate setting.
- C. Manages the core functions of the regional FAR Appraisal Program.
- D. Annually selects the buildings to be appraised, in accordance with these instructions, with input from the PT director.
- E. Establishes and maintains contacts with independent contract appraisers serving the markets for which appraisals will be needed. Is also responsible for evaluating the competencies of contract appraisers.
- F. Contracts with independent appraisers for the completion of FAR appraisals.
  - Recognizes and uses appropriate contracting vehicles, supporting and facilitating the appraisal process.
  - In coordination with the contracting officer (as COR (contracting officer's representative), COTR (contracting officer's technical representative), etc.), manages the appraisal contract through completion.
  - Coordinates scheduling to have appraisals and reviews completed on schedule, within the parameters of these instructions. Provides data as appropriate and necessary to the completion of the appraisal.
- G. Provides training as needed for contract appraisers to ensure thorough understanding of the FAR appraisal scope of work.
- H. Reviews FAR appraisals submitted by independent contract appraisers and works with those appraisers to correct errors, clarify arguments, and strengthen support to generate high-quality, credible, final reports.
- I. Recommends FAR rates to the PT director for concurrence.
  - Provides consultation, review, and other documentation to the PT director as required to support rate recommendations.

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<sup>2</sup> Each region has one person holding the Regional Appraiser responsibilities who must meet the requirements established for the Regional Appraiser. For purposes of these instructions, and to differentiate specific roles and responsibilities, GSA appraisers are described as Regional Appraisers or review appraisers. Regions may use different titles and these instructions are not to be interpreted as specifications for or modifications to position descriptions. All GSA appraisers working in the regions should hold or be working toward the same qualifications held by the Regional Appraiser.

- J. Submits FAR regional reviews, along with the PT director's concurrence, to Central Office for the Central Office review process by uploading the data and associated documents into the Appraisal Data System (ADS); it is permissible for him/her to oversee this process.
  - Works with Central Office reviewers to resolve issues related to the original appraisals and/or reviews.
  - Upon approval by Central Office, loads final data into the ADS.
- K. Coordinates and oversees the work of other staff appraisers in the FAR Appraisal Program.
  - Reviews the work of other staff appraisers as necessary and cosigns work as appropriate or necessary.
- L. Provides appropriate FAR rates to realty specialists or others for establishing occupancy agreements (OA).
  - Completes requests for rates, based on current appraisals, to support the data accuracy goals of the National Rent Bill Management Program.
- M. Is the only person in the region outside the regional commissioner who can determine the rate for rate-setting purposes.
- N. Reviews and approves on an individual basis, regional access to ADS in conjunction with Central Office.
- O. Is the initial point of contact for customer agencies with appraisal questions.
- P. Acts as appraisal/value consultant as necessary to provide projections of rent for proposed projects, etc.

### **3. Qualifications of Regional Appraiser**

Regional appraisers must maintain state general certification.

- A. In conformance with current RPAM policy and the reforms implemented in June 2006, Regional Appraisers must be classified in the 1171 appraiser job series, must hold general real property appraiser certification in the State in which they reside or from within the region operating, and must not have any other duties that could cause a conflict of interest or the appearance of a conflict of interest. Additional documentation regarding current qualification requirements is included in the addenda.
- B. Appraiser qualifications and credentials are key elements in supporting the goals of the FAR Appraisal Program and the reliability of the rates GSA charges Federal tenants. Regional appraisers must maintain their credentials, including continuing education requirements. Reimbursement for expenses related to maintaining credentials will be in accordance with GSA and regional guidance.

### **4. Review Appraisers**

- A. For purposes of these instructions, review appraisers are regional appraisal staff, are different from the Regional Appraisers, and support the FAR Appraisal



Program. The term review appraiser is used to differentiate the functions of the review appraiser from those of the Regional Appraiser, but this does not limit or define the extent of the review appraiser's responsibilities or position description.

- Review appraisers must meet the same qualifications as Regional Appraisers to act as the primary signatory appraiser for FAR regional reviews. (They must hold general real property appraiser certification in the State in which they reside or are operating, be 1171 appraisers, and not have any conflicting duties.)
  - Review appraisers lacking the necessary general real property appraiser certification, at the Regional Appraiser's discretion, can perform reviews commensurate with their competency. The Regional Appraiser (or another review appraiser with Certified General Real Property Appraiser certification) must cosign those reviews for acceptance by the Central Office review process. The cosigning appraiser accepts full responsibility for the content and conclusions of the review.
- B. Review appraisers must obtain and maintain credentials, as required by the appraisal reforms. State Certification for GSA Regional Appraisers and for signing authority. (See addenda).
- Regions are requested to support appraisers lacking general real property appraiser certification in their quest for certification. This includes, to the extent practical, helping the trainee with experience, training, and education.
- C. Appraiser qualifications and credentials are key elements in supporting the goals of the FAR Appraisal Program and the reliability of the rates GSA charges Federal tenants. GSA appraisers must maintain their credentials, including continuing education requirements. Reimbursement for expenses related to maintaining credentials must be in accordance with GSA and regional guidance or policy.

## **5. Other Regional Roles**

- A. Contracting officers are critical to the process of acquiring the independent appraisal services required to implement the FAR Appraisal Program.
- Contracting officers and Regional Appraisers should work closely to secure the highest quality appraisals to support the program, manage costs, and achieve timely completion of appraisals, while maintaining the integrity of the contracting process.
- B. Realty specialists use the results of the FAR Appraisal Program in many ways and should support the process. Realty specialists:
- Help the Regional Appraiser recognize buildings that need to be appraised by identifying upcoming OA expirations.
  - Request rates from the Regional Appraiser by submitting Request for Rates forms as required by the National Rent Bill Management Program process.

- Work with Regional Appraisers and PT directors to identify future needs, proposed projects requiring new rates, etc.
  - Work with contract appraisers during the FAR appraisal process by providing appropriate building data, etc.
- C. Building managers support the process by providing building access and appropriate building-related information.
- D. SDM coordinators classify space within GSA's owned building portfolio. How space is classified can directly impact market rents. The regional appraisal staff and SDM coordinator need to work together to ensure space is accurately valued and classified. The Regional Appraiser should coordinate reappraisals with scheduled remeasurements.
- E. Outside contractors can be FAR appraisal contractors or related experts contracted by the region or Central Office to perform reviews or other functions. Contractors may be contracted by the assignment or retained as full-time consultants to supplement staff workloads.
- Appraisal contractors provide GSA with independent appraisals of the appropriate FAR rates for GSA-controlled properties. Independence and the quality of work are critical to the success of the program.
    - a. Appraisers providing FAR appraisals must conform to the requirements of the RPAM Appraisal of Fair Annual Rent Contractor Instructions (hereafter referred to as Contractor Instructions).
    - b. Outside contractors providing FAR appraisals must hold general real property appraiser certification where the property is located. Regions must certify contractors are appropriately qualified.
    - c. Regions must incorporate the Contractor Instructions in their contracts for FAR appraisals and provide the Contractor Instructions to contract appraisers.
  - Appropriately qualified outside contractors can provide other services for regions, including appraisal review services. Ultimately, all appraisal reviews are the responsibility of the region. It is up to the region to ensure contractors comply with the requirements of the FAR Appraisal Program. Regions must ensure all appraisals and reviews are performed by Certified General Real Property Appraisers.
    - a. Various contracting mechanisms may be available through Central Office nationwide contracts to assist regions in acquiring FAR appraisals or reviews. Regions must protect the appraisal and review process from conflicts of interest, both real and perceived.

## **6. Portfolio Director and Regional Appraiser Relationship**

- A. The PT director has final regional responsibility for rental rates established for GSA's Federal tenants. The Regional Appraiser is responsible for managing the

regional FAR Appraisal Program and providing appraisal-based rates that meet program requirements and are credible.

- The PT director and Regional Appraiser work together to identify: assets to be appraised; markets of concern; and policies that ensure up-to-date rates and/or values for properties in the regional portfolio.
- While it is important for the PT director to have a broad understanding of the markets affecting properties in the regional portfolio, it is the Regional Appraiser's function to provide the data, market knowledge, and technical expertise necessary to understand and evaluate proposed rental rates.
- The Regional Appraiser provides consultation, data, guidance, and appraisal-based rates to the PT director. The PT director, in consultation with the Regional Appraiser, accepts or rejects the proposed rates. The PT director's concurrence form documents the process.
- The PT director and Regional Appraiser must work together to resolve any concerns in arriving at well-supported rates. **All accepted rates must be credible and based on appropriately qualified, reviewed appraisals.**
  - a. Rates, the regional review, and the PT director's concurrence form are all uploaded by the appraisal staff to the Appraisal Data System (ADS) for Central Office review.

## 7. Identifying Properties to Appraise

Maintaining realistic, market-based FAR rates for all assets in the regional portfolio is a primary function of the FAR Appraisal Program. Federal tenants budget for occupancy costs well in advance, therefore GSA must provide rates in advance of each fiscal year. All buildings must be appraised on a regular basis; some properties or market conditions may require more frequent appraisals than others.

- A. All assets in the portfolio must have new FAR appraisals at least once every five years.
  - Regional appraisers are responsible for tracking appraisal requirements and establishing the appraisal cycle.
  - OATool can provide additional useful information regarding pending expiration of OAs that may warrant additional attention. Expirations of OAs, shell rates, or other rates may trigger or require reappraisal of an asset.
  - The Regional Appraiser, in conjunction with the PT director and with information from other staff and other sources, needs to be constantly aware of market factors that may indicate the need for earlier appraisal of portfolio properties.
  - Buildings undergoing renovation or with other major occupancy changes may require new appraisals.
  - Significant changes in the classification of space within a building may warrant the need for a new appraisal. This would be particularly true if the

ratio between Common area and occupiable space changes. It is the Regional Appraiser's responsibility to determine whether a change in the building R/U factor would require a new appraisal. Generally, only changes through remeasurement, expansion, or substantial rehab would cause a significant change in a building R/U.

- Scheduled SDM remeasurements should be coordinated with the Regional Appraiser as it may be prudent to schedule a new appraisal based on the remeasured space.

**B. More frequent appraisals may be indicated in volatile markets.**

- More frequent appraisals can be performed as appropriate for the market at the discretion of the Regional Appraiser, in consultation with the PT director.
- No more than one accepted appraisal is allowed for any fiscal year, except in the case of building changes for which no prior rates have been established or where multiple rates are necessary.
- New OAs must reflect the most recent appraisal targeting the applicable fiscal year unless use of another rate has been justified and approved.
  - a. FAR appraisals will provide trended rates up to the targeted fiscal year. Any rates provided in appropriately certified, reviewed, and accepted appraisals are suitable for establishing rates for new or renewing OAs, if they meet existing policy requirements outlined in section 8E.
  - b. The rates from the most recent appraisal targeting the relevant effective year are to be used for new occupancies.

## **8. Updating Appraisals and Holding Rates Over**

Recognizing many markets do not change significantly from one appraisal to the next, while conversely, recognizing the need for more frequent appraisals in other markets, there may be a need for appraisal "updates". Appraisal updates are subject to the following parameters:

- A. FAR appraisals must conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) to meet the requirements of the Contractor Instructions. As such, an update must be considered a new assignment.
- B. Updates are subject to the same USPAP considerations as the original assignment.
  - A contract appraiser can include a prior report by reference, without having to write an entirely new report. However, the appraiser is responsible for confirming existing conditions and current market data and providing FAR rates based on the most current and most pertinent data. Any new assignment referencing an old report must describe the current scope of work (scope) and all other pertinent information, all of which must comply with the Contractor Instructions and USPAP requirements.

- C. FAR appraisals must be performed by independent contract appraisers. New appraisals (updates) must meet the same guidelines and must also be performed by independent contract appraisers, providing current, market-based FAR rates.
- GSA appraisal staff (Regional Appraisers, review appraisers, etc.) can only provide rates from accepted, reviewed, market-based appraisals performed by independent contract appraisers.
    - a. In accordance with the June 2006 reforms, independent rates are required; GSA appraisal staff (Regional Appraisers, review appraisers, etc.) is prohibited from adjusting rates generated by contract appraisers and reported in accepted, reviewed FAR appraisal reports.
- D. If the Regional Appraiser and PT director have determined there has been minimal or no change in either the building or its market, they may hold the current rate over from one fiscal year to the next. The procedure is as follows:
- Regional appraiser prepares a memo to the file stating the appraised rate will remain the same for the fiscal year in question.
  - Regional appraiser prepares a PT director's concurrence form and has the PT director sign and agree that it is appropriate to hold the rate over.
  - Rates may be held over using a global memo for the entire region, specifying the buildings to be included. However, doing so does not relieve the responsibility to verify the holdover is valid for each building.
  - Central Office reserves the right to review holdover decisions if it is felt the holdover feature is being applied unwisely.
  - Holding rates over can only occur if the underlying appraisal meets all GSA and USPAP requirements and has undergone all regional and Central Office reviews.
- E. Secondary values are provided in Central Office-approved appraisals. FAR appraisals generally target a specific fiscal year as an effective date of value; however, additional values are often provided for interim time frames. Such values may be used in place of missing appraisals. While the targeted date is the actual focus of the appraisal, each value date meets GSA regulations and reforms. Accordingly, regions may use any of these values as source appraisals for rate setting purposes under certain conditions.
- Interim year values may be used without additional Central Office approval but must have PT director's concurrence. Due to the speculative nature of the trending factors involved, the use of a future year value, if provided, would require Central Office approval in addition to PT director concurrence.
- For interim years:

- a. Regional appraiser (or review appraiser<sup>3</sup>) prepares a memo to the file stating the source of the appraisal rate.
  - b. Regional/review appraiser prepares a PT director's concurrence form and has the PT director sign and agree that the rate is appropriate. (The PT concurrence and memo may be combined on the same document).
  - c. For use in place of a missing appraisal the Regional Appraiser must first perform an analysis to ensure that the new appraised rate supports the current billing rate. If the appraisal supports the current rate then steps a. and b. (above) must be completed.
  - d. If the rate from this appraisal does not support the existing billing rate within a reasonable tolerance, either the billing rate must be adjusted or a new appraisal must be engaged for the upcoming fiscal year with the resulting value used to reset the billing rate.
- For a future year, steps a. and b. (above) would be completed and followed by submission to Central Office for review and concurrence. The submission to Central Office can be an email of the prepared memo if it contains sufficient explanation to support use of the rate.
  - Once the necessary approvals have been received in either 1) or 2) (above), the related documents must be uploaded into ADS before use in rate-setting purposes.

## 9. Funding

Regions must provide adequate funding to support the FAR Appraisal Program. This involves planning and budgeting. Regions are expected to encourage professional development of their staff and support training and continuing education requirements.

- A. The Regional Appraiser must develop and submit annual budget requirements on a timely basis to allow the region to plan for funding. PT directors need to communicate with Regional Appraisers on a regular basis to ensure adequate funding and to anticipate budget needs.
- B. The budget must include recognition of the following elements:
  - 1) acquisition of appraisal services for support of the contracting process. Central Office may have national appraisal and consulting contracts available for regional use;
  - 2) travel for regional office staff to visit assets;
  - 3) staff training to keep abreast of industry changes, maintain credentials, and develop new knowledge and skills;
  - 4) reimbursement of fees associated with maintaining appraisal credentials; and
  - 5) support of additional staff involved with the FAR process.

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<sup>3</sup> This function may alternatively be performed by any qualified staff review appraiser as appointed by the Regional Appraiser. If the tasked appraiser is a qualified certified general appraiser, no additional signatures are necessary.

## 10. Scheduling

The FAR appraisal process follows an annual cycle. Major functional areas and their approximate annual timeframes are as follows:

- A. **February 16 to March 31:** Regional PT directors, appraisers, SDM, realty specialists and contracting officers prepare for new appraisal cycle, determine which buildings to appraise, assess costs, evaluate contracting resources and available contractors, and prepare to bid out appraisal work.
- B. **April 1 to June 30:** Regional appraisers and contracting officers issue solicitations for appraisal services, evaluate bids, award contracts, hold contract orientation and training meetings, and provide data to contract appraisers.
- C. **July 1 to November 15:** Contractors prepare and submit FAR appraisals. Regional appraisers conduct technical reviews of draft reports and resolution of issues, perform final reviews and consultation with the PT director for rate concurrence, and upload data to the ADS for Central Office review.
- D. All FAR appraisals are to be uploaded by **November 15**.
- E. **November 15 to February 15:** Central Office holds reviews and consultations with Regional Appraisers, resolves any additional concerns, approves final upload of data and appraisal to ADS, the certification of rates for rent estimate and rent-setting purposes, and the Rent Appraisal Quality Evaluation (RAQE) reviews.

## 11. Contracting

Contracting is a major component of the FAR process. Because all FAR appraisals must be performed by independent contract appraisers, managing the contracting process is crucial to successful implementation of the program. The contracting process is primarily handled by GSA contracting officers within each region, in coordination with Regional Appraisers. Contracting officers ensure the process adheres to GSA acquisition policy and provides the best value to the government. Regional appraisers evaluate the qualifications and capabilities of prospective contractors, identify qualified appraisers, and manage contacts with them. Some key points about the contracting process:

- A. All solicitations and contracts for FAR appraisal services must include the Contractor Instructions and any other requirements unique to the region.
  - Central Office provides Contractor Instructions, Contractor's Tools, and a FAR Appraisal Report template to the regions. The regions must provide these resources to contractors and should meet with contractors to discuss their use.
  - Solicitations should include details on the types of values the contractor is expected to generate.
    - a. The contractor needs to know at the outset of the process whether he or she is appraising shell rates, as-is rates, or multiple rates, and whether the property contains General (Office) space or Warehouse space, etc.



- b. The contractor needs to know what types of parking considerations are involved and whether any special circumstances need to be evaluated.
  - In conjunction with the contracting officer, the Regional Appraiser must ensure contract appraisers are appropriately qualified and that contracts establish appropriate technical requirements (including Contractor Instructions).
- B. The Regional Appraiser, acting as the COR or as a COTR, is generally the primary GSA point of contact for the contract appraiser for most appraisal-related concerns or issues. The contracting officer is the appropriate point of contact for contract questions and issues.
  - The Regional Appraiser (unless warranted as a contracting officer) does not have the authority to make changes to contracts and should refer all such issues to the contracting officer. As the COR or COTR, the Regional Appraiser must advise the contracting officer regarding program expectations and requirements.
  - The Regional Appraiser should maintain contact with contract appraisers to ensure timely completion and to address any issues as they arise.
  - To facilitate contracting, the Regional Appraiser should develop and maintain contacts and know of appropriately certified and qualified contractors in the areas in which appraisals will be required. The Regional Appraiser should also be aware of contracting resources, including national contracts that may be useful in the contracting process.
- C. FAR appraisal review can also be accomplished by contract appraisers, under the same general contracting parameters and requirements. In such cases, the Regional Appraiser or qualified staff review appraiser would need to accept and sign the review.
  - In the review process there must be no relationship between the FAR contract appraisers and FAR contract review appraisers that may cause a conflict of interest or the appearance of a conflict of interest. For purposes of the FAR Appraisal Program, contractors may not review the work of those in their own company or of those with whom they have a related contractual relationship.

## 12. Quality Control

Many quality control measures were included in the Reforms for Appraisal and Rent Rate-Setting, enacted June 2006. The reforms were designed to strengthen program oversight and management controls over the FAR appraisal practice. These reforms ensure the FAR appraisal process provides consistently reliable FAR rates supported by independent market-based appraisals. Quality control of the FAR Appraisal Program includes checks and oversight at several levels.

- A. Only contract appraisers holding general real property appraiser certification in the State in which the property is located (or appropriate temporary licensure) may perform or modify FAR appraisals.



- Modifications are generally the result of the initial reviews of draft appraisals. Later modifications, based on new or changed building or market parameters, initiated after acceptance of the appraisal are considered new assignments, require full documentation, and can only be performed by contract appraisers.
- Updates are considered new assignments. While contract appraisers can include prior appraisals by reference, Regional Appraisers seeking updated rates should recognize that referencing prior appraisals can be problematic for readers and reviewers who may not have the original in hand.
- All rates quoted for GSA buildings must come from market-based appraisals prepared in compliance with USPAP and GSA guidelines in effect at the time of the appraisal. Although such appraisals will generally be performed by non-GSA appraisers, in certain limited situations a value may be provided by qualified GSA appraisers. In every such instance prior written approval must be obtained from the director of Asset Management and Valuations. Each case will be reviewed on its own merit. Examples of possible GSA staff valuations:
  - a. Annual parking rates. Such appraisals may only be used for in-cycle changes between scheduled FAR appraisals prepared by contract appraisers.
  - b. Land Value for use in ROI calculations for land ports of entry. Such appraisals may only be used if no prior appraisal exists and if use of contract appraisers would not be practical.
  - c. Value/Rate projections for proposed or under construction buildings for which a rate is needed for internal analysis or as a placeholder. In such instances an independent third party appraisal must be obtained prior to actual billing.

B. FAR appraisals are to be reviewed and accepted at four levels:

- Initial drafts are reviewed by the Regional Appraiser (or qualified review appraiser). **The Regional Appraiser (first review)** works with the contractor to correct deficiencies until the Regional Appraiser finds the appraisal to be acceptable based on his or her review.
- Upon finding a draft acceptable, the Regional Appraiser finalizes the review and proposes rates for the subject building to the PT director. With concurrence from the **PT director (second review)**, the Regional Appraiser uploads the appraisal, the review, and the PT director's concurrence form into the ADS for Central Office review.
- The third review occurs at the Central Office level. After receiving the uploaded review, FAR appraisal, and concurrence, the **Central Office reviewer (third review)** reads the Regional Appraiser's comments and review and performs a general review of the appraisal, the Regional Appraiser's review, and compliance with FAR requirements.

- a. The Central Office reviewer works with the Regional Appraiser to resolve any issues. If the process requires consultation with the contract appraiser, the Regional Appraiser typically manages that consultation, but the Central Office reviewer can initiate contact with the contract appraiser.
    - b. If revisions to the original appraisal are necessary, the Regional Appraiser or Central Office reviewer assesses the appraisal as required to reach final acceptance of the contract appraisal.
    - c. Upon acceptance, the Central Office reviewer submits documentation to the lead FAR appraiser for final concurrence.
  - Finally, the **lead appraiser (fourth review)** (in Central Office) examines the total package of documentation for final concurrence and acceptance. At this point, the appraisal has been reviewed by the Regional Appraiser. The Regional Appraiser's conclusions have been considered and accepted by the PT director. The Central Office reviewer has examined the regional recommendations and the Central Office reviewer's recommendations have been examined by the lead appraiser.
    - a. Upon the lead appraiser's concurrence, the Central Office review form and all related documentation are uploaded to ADS and the region is notified that the rates may be used for rate-setting purposes. The rate may not be used prior to lead appraiser concurrence. Once concurrence is granted rates may only be used under the direction and control of the Regional Appraiser.
  - Exit Interview. Each region will complete an exit survey covering the RentEst experience. The survey addresses: major issues confronted by the region; strengths and weaknesses of the contract appraisers; interaction with Central Office reviewers; and observations designed to improve the FAR appraisal process.
- C. Real Estate Appraisal Quality Evaluation (RAQE). The final element in the FAR quality control is the review of each region by Central Office (the review is currently done biannually). The RAQE review of each region consists of two components
- Appraisal Review Summary. Each appraisal submission (appraisal, regional review and ADS upload) is rated by the Central Office reviewers as part of B.3) above. Each appraisal is rated on a number of criteria that address the FAR appraisal process at the regional level. The individual ratings are rolled into a composite score.
  - Site Visit. Each region will be visited by Central Office appraisal staff. at a minimum, once every two years. These visits will check the physical plant, files, both paper and electronic, interview key personnel, and then present a final report to the region.

### **13. Scope of the FAR Appraisal / Statement of Work**

The minimum acceptable scope of the FAR appraisal is described in the Contractor Instructions and included in the report template. A FAR statement of work has been included as a separate document within the Contractor Instructions. The statement of work is the minimum acceptable scope of work for FAR appraisal assignments. Regional Appraisers may include additional criteria at their discretion. Additions to the statement of work should serve to facilitate the appraisal/review process or to address needs specific to the market and/or building.

It is the responsibility of the Regional Appraiser to ensure the appraiser's scope of work satisfies the requirements of the statement of work. The statement of work must be clearly presented to the contract appraiser. FAR appraisals require both a thorough analysis and a sufficient appraisal report of that analysis. The contract appraiser must analyze and describe the market and the subject to the extent that readers unfamiliar with the subject or market will understand and accept the appraiser's conclusions.

### **14. Appraisal Reviews**

Appraisal reviews are a critical and primary responsibility of the Regional Appraiser<sup>4</sup> and review appraisers on regional staff. Competent reviews are crucial to generating realistic, market-based, independent FAR rates for GSA-controlled buildings. The review process requires not only competency in the appraisal of the property types under review but also a specialized competency in the process of reviewing appraisals.

- A. Consistent with the Reforms, only GSA appraisers who hold positions in the 1171 job series and hold general real property appraiser certifications in their respective states are authorized to sign appraisal reviews designating acceptance of the appraisal results for rate-setting purposes. Each region must have at least one appraiser satisfying the required credentials, one of whom must be designated as the Regional Appraiser.
  - Appraisers lacking the minimum credentials can review appraisals within their level of competency as determined by the Regional Appraiser. They may sign reviews in accordance with USPAP and applicable State requirements, but those reviews must be cosigned by an appraiser with the qualifying credentials who accepts responsibility for the review.
  - In the case of cosigned reviews, the process must be consistent with applicable State requirements regarding signing reports. The cosigner accepts responsibility for the content of the report, consistent with USPAP requirements. The reviewer lacking credentials should clearly indicate his or her status as a trainee or use other language consistent with USPAP and State requirements.
- B. The Central Office provides the regions with a Regional Review Checklist that is the core of the review process. This checklist, however, is just a tool outlining critical

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<sup>4</sup> As in other areas of the instructions, the terms Regional Appraiser and review appraiser are used just for the purposes of the instructions and do not define position descriptions or affect overall job responsibilities.

areas, provided to facilitate the review process. It is not intended to limit the extent of the review or to be a substitute for the reviewer's experience or judgment.

- C. Regional appraisers and review appraisers studying FAR appraisals submitted by contractors are the principal contact with the contract appraiser. That relationship places the GSA appraisers in a position to foster a good working relationship with the contract appraisers. Clear and open communication (verbally, in written correspondence, and in the contract) about appraisal expectations produces better results and more credible reports. In the appraisal management process, regional and/or review appraisers should:
- Establish expectations at the outset of each project. Ensure contract appraisers understand the values to be generated, the report and analytical requirements, and the use of the tools provided.
  - Be in touch with contract appraisers periodically to address any concerns as they arise.
  - Discuss the results and concerns of the written review with contract appraisers. Enumerate all concerns and issues requiring follow-up in writing.
- D. Regional appraisers and review appraisers communicate with the contract appraisers to solve and address problems as they surface. In some cases, reviewers and contractors may come to an impasse in which the contractor has stated his or her opinion and complied with the terms of the contract, but the reviewer does not accept the result as valid. In these cases, the Central Office lead appraiser can provide additional support/guidance and interpretation that may help resolve the issues. From a practical standpoint, Regional Appraisers and review appraisers should:
- Address problems and seek guidance before relations with the contract appraiser become adversarial in order to maintain a positive working relationship with the contractor. However, the ultimate goal is to produce high-quality, credible reports.
  - Analyze and maintain ratings of contract appraisers on the basis of the quality of their reports, timeliness, responsiveness, professional qualifications, areas of expertise, and other measures including price, in conjunction with the contracting process.
  - Recognize when a new appraisal may be required to satisfy GSA's needs in the event unresolved differences produce results that are not credible. The Regional Appraiser must justify the need for a new appraisal and obtain approval from Central Office. The new appraisal must then undergo the same review process and Central Office must be provided a copy of both appraisals for review.
- E. After receiving a final draft determined acceptable by the Regional Appraiser, the Regional Appraiser recommends the rates to the PT director for concurrence.
- The Regional Appraiser provides any additional support required by the PT director to foster an understanding of the market affecting the asset.

- Upon acceptance by the PT director, the Regional Appraiser uploads the appraisal, review, and concurrence form into ADS.
- In the event of disagreements between the PT director and the Regional Appraiser regarding the rate-setting process, the issue is raised through the regional commissioner to the Central Office (lead appraiser) for resolution.

## **15. Central Office Concurrence and Communication**

When the regional review is completed and the PT director has signed the concurrence form, the Regional Appraiser will upload the appraisal, review, and concurrence form into ADS. This upload triggers the Central Office review process, which involves a series of technical and administrative checks related to the FAR process:

- A. The Central Office reviewers ensure the review has been properly executed and signed by an appropriately certified reviewer at the regional level.
- B. The Central Office reviewers check for PT director concurrence.
- C. The Central Office reviewers read the appraisal report and review, checking for reasonableness and consistency with policy and with the Contractor Instructions. The Central Office reviewer takes a final look at the entire package, ensuring the rates are credible and the appraisal and review are cohesive and acceptable.
- D. If acceptable, the Central Office reviewer prepares a written review which is submitted to the lead appraiser for final approval. If problems are identified, the Central Office reviewer works with the Regional Appraiser (or directly with the contract appraiser with the Regional Appraiser's consent) to answer questions and/or address concerns.
  - In some cases, the review and appraisal may be sent back to the Regional Appraiser and/or contract appraiser for revisions or further explanation. In that case, an additional Central Office review would take place after completion.
  - The lead appraiser will resolve issues between the Regional Appraiser and the Central Office reviewer. Resolution may require a new appraisal.
- E. Central Office will notify the Regional Appraiser when the review process is complete and the appraised rate is accepted. Approved rates can then be used for rate-setting purposes.
- F. Rates from the most current appraisal applicable to any fiscal year are to be used for any new OAs. Normally this would be the most recent appraisal targeting the fiscal year in question but in some instances an interim rate from a more recent appraisal may prove more credible. The use of interim values is discussed elsewhere in this document.

## **16. Interaction with Customer Agencies—Appeals**

The Regional Appraiser is the primary point of contact for rate questions pertaining to the appraisal process. The appeal process is described in detail in the addenda.

- A) Informal inquiries: It is the Regional Appraiser's responsibility to answer appraisal related questions and to justify approved rates.

- B) Releasing appraisals: The Regional Appraiser will provide a copy of the FAR appraisal to the duly authorized OA signatory authority of the customer agency only after conducting a meeting with the representative to explain the appraisal and budget process as well as the specifics of the subject appraisal.
- C) Formal appeals: If informal inquiries and discussions have not satisfied the customer agency, the agency may begin a formal appeal process as outlined in the addenda. Any formal appeal must be established prior to signing of the occupancy agreement (OA).

## 17. Appraised Rates

FAR rates can reflect as-is conditions, which include the existing tenant improvements (TI), or can reflect shell conditions. In the case of shell rates, amortized TIs are included separately. Regional appraisers are responsible for recognizing which rates are required and for informing contract appraisers which rates they are to generate. In some cases, both shell and as-is rates will be required.

Similarly, practices with regard to charges for parking differ among markets. The treatment of parking in FAR appraisals must reflect market practices but also must satisfy GSA's need for parking rates.

- A. As-is rates are the primary objective for most appraisals. Unless there are unusual conditions requiring shell rates, the as-is rates will apply to existing space in the subject building.
- B. Shell rates are required for rate-setting purposes in the following situations:
  - **New or recently constructed Federal buildings:** The FAR shell rate must be provided for new or recently constructed Federal buildings less than 10 years old. The Contractor Instructions provide additional detail regarding identification of shell characteristics and appraisal of shell space. A full description of the appraiser's methodology must be included in the FAR appraisal report.
  - **Federal building space undergoing renovation:**
    - a. Total building renovation: Under total building renovation conditions, the FAR shell rate should be determined according to the *new or recently constructed Federal building* scenario described above.
    - b. Partial building space renovation: Under partial building space renovation, both the shell and as-is FAR rate may be required. The contract appraiser, upon instruction from the Regional Appraiser and as part of the contract, will provide both shell and as-is rates. The Regional Appraiser is responsible for providing the appropriate rates for new or renewing OAs.
    - c. As indicated throughout the Contractor Instructions, the characteristics of the GSA building shell differ from the shell characteristics recognized in many markets. The contract appraiser and GSA



appraisers at all levels must recognize and incorporate those differences in their analyses.

- C. If the subject property includes parking spaces, parking rates are generally required. Refer to the Contractor Instructions, which describe several different parking scenarios in detail. The Instructions also describe situations in which return on investment (ROI) methodology may be required for parking rate development. FAR appraisals should reflect the prevailing local market practice for parking lease terms and rental rates and should provide GSA with realistic rates that can be applied to the parking on the subject property. It is the Regional Appraiser's responsibility to inform the contract appraiser of the need for parking rates.
- If market practices do not include parking in the Office or Warehouse rent, market-based rates are required.
  - If the market includes parking in the rent, the FAR rate conclusions should include parking in the same manner, with appropriate adjustments for differences among the parking amenities (quality, amount, access, etc.).
    - a. Even if parking is included in rent, an analysis of rates for parking may be required for setting parking rates for non-tenant agencies. The Regional Appraiser should inform the appraiser of the need for rates in this case.
  - If comparable parking rates are not available in the market, but evidence of demand exists (metered parking is an example), ROI methodology should be considered as the most likely, realistic alternative. In ROI methodology, the cost of developing parking (including land value) is calculated. That investment cost is divided by a realistic rate of return to yield the income required to support the investment. That annual income is divided by the number of spaces to arrive at a per-space rate.
- D. **Other rates:** Various other assets or occupancies may require appraisals and rates. As appropriate, the Regional Appraiser is responsible for acquiring appraisals of these assets within the guidelines of these policies. These other assets may include vacant land, antenna space, or other such assets. Contact the Central Office lead appraiser regarding rates for special or unusual assets.

## 18. Return on Investment Rates

In certain situations deriving a rate from a market appraisal is not practical. In other situations appraisals do not fairly reflect the level of investment necessary to maintain a property. In still other situations GSA and the customer agency have mutually agreed to base rents on a return on investment methodology.

- A. **Courts buildings** identified in a 2008 memorandum of agreement (MOA) established between GSA and the Administrative Office of the United States Courts. That MOA has been attached as an addendum. The MOA identifies which buildings will utilize a ROI methodology to establish rent payments and prescribes how ROI calculations will be made.

- B. **Federal buildings** eligible for ROI pricing. Generally this includes newer buildings (less than 10 years old) and buildings that fail GSA's Hurdle Test. Methodology applied to non-courts buildings varies slightly from the methodology applied to the Courts MOA buildings.
- C. **Land Ports of Entry (LPOE)**, are priced using an ROI Workbook. Methodology applied to LPOEs varies slightly from each of the other types shown above. LPOE Instructions, when finalized will be distributed and displayed on the Valuations and Asset Management Insite page. Not all regions have land ports of entry. In those regions that have LPOEs, the appraisal staff may or may not have primary responsibility for preparing workbooks. However, as with other rates, the Regional Appraiser is responsible for overseeing this process and together with the portfolio director must approve the rate.

## 19. Setting Rates

Regional Appraisers provide rates as needed for new or continuing OAs, consistent with policies identified in the Pricing Desk Guide, 4th edition. The appraiser must work closely with the rate requester, RBM staff, and pricing staff to identify and apply appropriate rates. Rates must originate from, and track back to, a source appraisal in ADS. Generally the source appraisal will be the latest approved appraisal, applicable to the fiscal year in question. The approved rates for each year are maintained in and retrieved from ADS. Any deviations must be clearly noted and explained in ADS. In every case, there must be a source appraisal retained within the ADS system.

Related guidance may be found in the Pricing Desk Guide, 4th edition and the Implementation Guide for the Pricing Desk Guide, 4th edition. Rent Bill Management also provides related guidance. Regional Appraisers should familiarize themselves with these documents and ensure they are available for reference.

- A. R/U memos (changes in rentable-usable composition):
  - 1) FY 2012 appraised rates and earlier (old scope<sup>5</sup>). Rates must be adjusted with changes in the rentable-usable composition of the building and tracked to the original appraisal to maintain revenue neutrality of the rate
  - 2) The R/U adjustments for old scope appraisals will continue to be requested of the regional appraiser who will prepare a R/U Memo to be uploaded into ADS and associated with the source appraisal in any OA Rate Setting Requests. The R/U rate modification as developed in the appraiser's R/U memo should cite both new and old usable and rentable areas in the building. The new rate would be derived by multiplying the old rate by the ratio of the old R/U to the new R/U.

$$\text{old rate} \times \text{old ru/new ru} = \text{new rate}$$

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<sup>5</sup> **old scope:** refers to appraisals completed to a market R/U. These appraisals were adjusted to the actual subject R/U in a post-appraisal adjustment process. FAR appraisals completed to Contractor Instructions from FY 2006–FY 2012 generally fall into this category.



- 3) FY 2013 appraised rates, forward (new scope<sup>6</sup>). Rates are not to be modified to reflect changes in the rentable-usable composition of the building. OATool ensures that existing OAs remain revenue neutral until rate reset except in cases of SDM remeasurement.
- a. Nominal changes in the R/U factor as determined by the Regional Appraiser will not require Regional Appraiser action beyond acknowledgment the rate remains valid. When the appraiser receives a rate request tied to a new scope source appraisal, he/she will select the unchanged rate from the appraisal. If the current R/U has changed, the appraiser will acknowledge the change in the comment field of the rate setting request form and identify it as nominal.
  - b. Significant changes in the R/U factor that in the Regional Appraiser's judgment would impact the appraised rate will require a new appraisal. However, in every case the agency must be given "time to budget". In such cases the existing rate in the OA will be continued until "time to budget" has been satisfied. For new occupancies and rate resets, the existing rate displayed in ADS will be utilized.
    - i. If sufficient time exists, the regional appraiser should wait for the new appraisal and implement the rate from the new appraisal
    - ii. If sufficient time does not exist, the earlier appraised rate should be used in conjunction with the R/U factor cited in the earlier appraisal.Note: The determination of "time to budget" falls outside the Regional Appraiser's purview.
- B. Five Year Resets of existing OAs, if priced with an FY 2013 appraisal will use the appraised rate, unadjusted for R/U differences. If the Reset relies on a pre-2013 appraisal, the appraised rate must be adjusted for R/U differences.
- C. Changes due to SDM remeasurement. An occupancy agreement (OA) may be adjusted once in a 5-year-rate cycle. If the rate being applied to the remeasured space is an FY 2013 appraised rate, it would be applied directly to the new rentable square footage. If the rate is an FY 2012 or earlier appraised rate, it would be subject to adjustment for R/U changes.
- Regional Appraisers should work closely with SDM staff to schedule reappraisals to coincide with remeasurement whenever possible.
- D. Rate Setting Requests. All rate requests are submitted electronically from OATool to ADS. It is the Regional Appraiser's responsibility to answer each request. Requests must be checked carefully to determine the type of rate being requested and to verify that correct dates have been entered. Once the proper rate has been determined, all relevant documents must be associated with the request and any additional comments beneficial to the audit trail must be entered in the

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<sup>6</sup> **new scope:** refers to appraisals completed to the subject building efficiency including its actual R/U with no further adjustment after the appraisal. FAR appraisals beginning with the FY 2013 Contractor Instructions include the "new scope" of work.

comment field. When determining the proper rate the appraiser should observe the following protocol.

- If the rate has been established with an appraisal under the new scope of work, the rate would not be modified to reflect the R/U change, regardless of changes to either the Rentable or Usable areas.
- If the building is still priced with an appraisal using pre-2013 methodology, R/U adjustments and calculations will continue to be made. Either scenario will be handled in ADS by providing a rate back to OATool. The Regional Appraiser will determine the manner in which the rate will be calculated.
- When a rate is requested under a pre-FY 2013 appraisal and there has been a R/U change since the appraisal, a R/U memo must be created converting the rate from the old R/U to the R/U currently in effect.
- When a rate is requested under a new appraisal and there has been a R/U change in the building not reflected in the appraisal, the Regional Appraiser will check the current R/U against the R/U of the appraisal. Assuming any changes to the building (R/U or otherwise) would not render the appraisal invalid, the Regional Appraiser would submit the appraised rate. If in the Regional Appraiser's judgment there has been change of such magnitude it alters the functional utility of the building, (generally only in the case of an expansion, extensive rehab, or remeasurement and only if the change materially alters the balance within the building), a new appraisal will be engaged. If the Regional Appraiser is unsure of his judgment in such cases he/she should consult Central Office lead appraiser.
- If the affected OA's agency will not have sufficient "time to budget" before the new rate would go into effect, use of the existing rate would continue until "time to budget" for the new rate has been satisfied.
- Facility Common Calculations are manually reproduced in ADS by utilizing the facility link on the profile page and determining the percentage of the total facility represented by each building then applying that ratio to the total facility common square feet. The resulting square feet are added to the Rentable area of the building to produce the building's facility R/U. The appraised rate is displayed in the rates table. (It should be noted OATool applies its own logic in determining the amount of Joint Use applied to any given OA. What it takes from ADS is simply the rate.)

## **20. Appraisal Data System (ADS)**

Access to ADS is limited for purposes of data integrity and control. Regional appraisers have both access and update rights. Regional appraisers are responsible for uploading completed work to ADS and entering rates based on approved and accepted appraisals.

They also oversee usage and approve access based on a proven business need to other regional personnel.

- A. ADS provides an audit trail for appraisal-based rates and is the official repository for all active FAR appraisals.
- B. File uploads include appraisals, LPOE workbooks, reviews, PT director concurrence forms and rate setting requests, R/U memos, miscellaneous notes, as well as any other required documentation.
- C. Regional appraiser responsibilities include entry of rates for each fiscal year as required by the system.
- D. Beginning in 2009 such rate requests are generated in OATool and sent electronically to ADS.
- E. ADS and related processes are continually being evaluated and periodically change to meet new requirements. Communications regarding changes to the system will be sent to Regional Appraisers by e-mail and discussed in periodic conferences, conference calls and training sessions between Central Office and Regional Appraisers.
- F. **Due to rounding and use of multiple systems, one or two cent rounding inconsistencies may occur between ADS, spreadsheets, and source documents. In such cases either number will be considered valid.**

## 21. Records Maintenance

Regional appraisers, in conjunction with PT directors, are responsible for records maintenance, tracking, and access control.

- A. FAR appraisals must be retained for a period of two years from the last date the appraised rate was used for rate-setting purposes. Thus, an appraisal completed on 12/1/2010, with an effective date of 10/1/2012 (FY 2013), must be retained in the appraisal files until 10/1/2024, if the last OA was written five years after the effective date of 10/01/2012. However, an appraisal made before 10/01/2018 would retire the 10/01/2012 appraisal earlier. In short, appraisals must be retained two years beyond their last use.
  - At a minimum, appraisals must also be maintained for the amount of time required by USPAP.
- B. Use of electronic files. Both the review and appraisal submission process rely on electronic files in PDF format. The regions should provide staff appraisers and other appropriate staff with computer software for the creation of PDF files with the potential for electronic signatures.
  - Adobe Acrobat Professional® or equivalent program is critical to the transition to a paperless environment.
  - Adoption of digital signature protocols as GSA solutions are made available.
- C. Transition to paperless environment. The existing hard copy filing system adopted for the FY 2011 RentEst must be maintained as a duplicate system until a paperless protocol has been fully approved and implemented.

## 22. Training and Certification

Current policy requires all new hires in the appraisal series, at or above grade 12, be Certified General Real Property Appraisers. The Position Paper–State Certification for GSA Regional Appraisers, implemented at the June 2007 Joint Portfolio Directors and Appraisers Conference, states:

**Hiring new appraisers:** All new 1171 appraisers hired at grades 12 and above must hold a general real property appraiser certification in their state of residence. Regions should hire qualified, state-certified appraisers rather than choosing to hire and develop trainee appraisers.

The goal of this policy is that all GSA appraisers be Certified General Real Property Appraisers in the State in which they reside (or work). A copy of the position paper is included in the addenda on page A-7 (Appraiser Qualifications). All GSA appraisers must at a minimum have a trainee's license in order to review GSA appraisals. Those appraisers in 1171 positions who hold a trainee license, or have licensed residential or certified residential credentials must provide a formal plan to achieve Certified General Real Property credentials. In light of this requirement:

- A. PT directors and Regional Appraisers must identify individuals already holding appraiser positions who need training and experience credits to complete the appraiser certification process. The GSA appraiser seeking credentials together with the region should develop a plan to achieve certification as quickly as is feasible. The plan should be submitted to the lead FAR appraiser for oversight.
  - Periodic progress reports to the Central Office lead appraiser are required, and the appraiser must make satisfactory progress toward certification.
- B. Appraiser qualifications vary somewhat among states but at the Certified Residential and Certified General Real Property level, states adopt the qualification standards promulgated by the Appraiser Qualifications Board (AQB). To achieve a trainee license in most states, the applicant must achieve 75 hours of specific classroom education and apply for the trainee license. Typically, at the trainee level, all work must be supervised and cosigned by a certified appraiser qualified to appraise the property type under consideration.
  - GSA appraisers holding trainee licenses in their state may perform work supervised and cosigned by an appropriately certified, qualified GSA appraiser, in a manner consistent with state requirements. The certified cosigner accepts responsibility for the quality and content of the work product.
- C. GSA appraisers holding licensed residential or certified residential credentials and working toward Certified General Real Property credentials may do work as allowed under USPAP. Generally, this means that for nonresidential work, the licensed or certified residential appraiser must be working under the supervision of a Certified General Real Property Appraiser, and the Certified General Real Property Appraiser must cosign the report.
  - Work performed by GSA appraisers not yet holding Certified General Real Property Appraiser credentials must be cosigned by an appropriately

certified, qualified GSA appraiser. The certified cosigner accepts responsibility for the quality and content of the work product.

- D. Regions using appraisers seeking credentials must recognize that the Regional Appraiser overseeing the work of others holding less than Certified General Real Property Appraiser credentials accepts responsibility for the quality and content of the work product (by cosigning). The regions must also recognize that the mentoring process takes time away from the Regional Appraiser's other duties and should allocate resources accordingly.
- E. Regions should reimburse for required education and should provide appropriate opportunities for appraisers seeking Certified General Real Property Appraiser credentials to gain experience that can be submitted to the state for experience credits.
- Appraisal and review experience must be managed in a manner consistent with the regulations of the state in which the appraiser is seeking licensure, with USPAP, and with these guidelines.
  - Appraisal and review experience can be provided through work for the FAR Appraisal Program or through other GSA-related projects, such as market value appraisals or Capital Investment and Leasing Program (CILP) projects.
  - If experience cannot be provided within the region, contact the lead appraiser in Central Office. There may be opportunities for experience through other avenues.

# ADDENDA

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## 1. June 9, 2006, Reforms for Appraisal and Rent Rate-Setting



GSA Public Buildings Service

JUN 9 2006

MEMORANDUM FOR ASSISTANT REGIONAL ADMINISTRATORS, PBS

THRU:

ANTHONY E. COSTA  
DEPUTY COMMISSIONER - PD

FROM:

WILLIAM H. MATTHEWS  
ASSISTANT COMMISSIONER - PV

SUBJECT:

Reforms for Appraisal and Rent Rate-Setting

Effective immediately, PBS will begin implementing a number of reforms designed to strengthen program oversight and management controls over the Fair Annual Rental (FAR) appraisal practice. Over the last few years, we have discussed program management of the FAR Appraisal Program with the goal of enhancing the credibility and quality of our rent appraisals. In December 2005, at the ARA quarterly meeting, we discussed several rent appraisal program reforms to improve management controls, quality control standards, and the overall integrity of our rate setting process. However, the findings in our fiscal year (FY) 2005 Rent Appraisal Quality Initiative (RAQI) review and, more recently, the Court's identification of material alterations to FAR appraisal reports in their May 10, 2006, letter, raise serious questions about our process for establishing FAR rates for customer billing in Federal buildings. PBS will update and reissue appropriate policy and guidance documents to reflect these new, more stringent standards by the end of the fiscal year.

In the meantime, please see the attached instructions to this memorandum, which lists:

1. Reforms for immediate implementation;
2. Items that reiterate and/or clarify existing policy and management controls; and,
3. Immediate actions to be taken to ensure that regional Portfolio Directors and appraisers are clear on the current business practice and appraisal standards and ethics.

Please provide or confirm the following information in writing to Robert Yevoli, Portfolio Analysis Division (PVAC), within 30 days:

1. Who in your region is the designated Regional Appraiser?
2. No other duties conflict with the Regional Appraiser's function.
3. Evidence of the appraiser's credentials and educational background.

U.S. General Services Administration  
1800 F Street, NW  
Washington, DC 20405-0002  
www.gsa.gov

Office of Real Property Asset Management (ORPAM) staff is also considering other actions that could change our rate-setting process for federally-owned buildings. Actions under review include hiring a national appraisal consultant/advisor to help review all existing appraisals used for current rate setting through FY 2008.

Please address any questions or concerns about implementing these changes to Mr. Yevoli at (202) 219-1403.

Attachment



- Central Office appraisal staff will review and approve FAR appraisals for technical sufficiency and conformance to appraisal specifications. Rates from FAR appraisals cannot be used for Rent estimates, rate setting, Occupancy Agreements (OAs), or billing until approved by ORPAM staff.
- For any OA requiring an appraised FAR, the Regional Appraiser will select and certify the appropriate shell rate, operating expense rate base, parking rate, and any other rate based on a FAR appraisal.
- The Regional Appraiser will report directly to the Portfolio Director/Manager in the region and will not be assigned additional or collateral duties that create the appearance of a conflict of interest in rate setting. An appraiser cannot be an asset manager without creating a conflict. Examples of complimentary duties that do not create a conflict include: (1) conducting market value appraisals or providing appraisal support for site acquisition, asset management, and/or disposal programs; (2) providing data and consulting for leasing activity; or, (3) providing expertise in pricing policy.
- All PBS staff appraisers must demonstrate completion of an educational program, which includes receipt of a passing grade on all courses taken based on the General Certified Appraiser certification as prescribed by the Appraiser Qualifications Board of the Appraisal Foundation (AQB) and implemented in their state of residence.

#### **Reiteration or Clarification of Existing Policy and Management Controls**

- When an appraised rate is required for OAs and/or billing in accordance with GSA's Pricing Policy, this rate must be established through a FAR appraisal. Rates cannot be established through other means selected by the region.
- Return on Investment (ROI) pricing, including estimating rent or drafting preliminary occupancy agreements, cannot be presented to the customer until ORPAM has reviewed and concurred. Rates based on ROI pricing may not be used for billing purposes until concurrence has been obtained from the Office of Management and Budget (OMB).
- State-certified GS-1171 Regional Appraisers or state-certified contract appraisers will:
  - Conduct technical reviews of FAR appraisals;
  - Certify their review by signing as reviewer on the FAR appraisal reports; and,
  - Provide a documented and signed review report.

- The Regional Appraiser is responsible for all data entered into the Appraisal Data System (ADS) and must verify that all data in ADS is correct.
- Reappraisal of any building or asset is limited to once every fiscal year. In accordance with current policy, buildings or assets must be appraised at least once every five years. New CBRs must use the most current appraisal rates.
- Each region will have at least one designated associate to serve as Regional Appraiser who will conduct a review of FAR appraisals and perform other appraisal duties. The Regional Appraiser should hold a position in the GS-1171 job series and have a state certified general appraiser's license in their state of residence. ORPAM will develop and provide a draft position description within 30 days.

**Immediate Actions to Take to Ensure that  
Regional Portfolio Directors and Appraisers are  
Current on Business Practice and  
Appraisal Standards and Ethics**

- All Regional Appraisers and Portfolio Directors will attend a conference in Washington, DC, to review current rate-setting policy and business practice. We anticipate scheduling this conference in July 2006.
- Immediately, all PBS staff appraisers will be required to complete a 15-hour national course in the Uniform Standards of Professional Appraisal Practice that meets qualifications described by the Appraisal Qualifications Board. This training should be completed by September 30, 2006. Completion of the course within the past year will be accepted. Online training is available through the Appraisal Institute.

## 2. Appraiser Qualifications

### POSITION PAPER STATE CERTIFICATION FOR GSA REGIONAL APPRAISERS

This paper addresses the requirement of state certification requirements for all appraisers who work on the Fair Annual Rent appraisal program, as prescribed in the Appraisal Reform memorandum dated June 9, 2006. A number of areas regarding state certification requirements are discussed in this paper.

**Hiring new appraisers:** All new 1171 appraisers hired at grades 12 and above must hold a general real property appraiser certification in their state of residence. Regions should hire qualified, state certified appraisers rather than choosing to hire and develop trainee appraisers.

**Appraisers who currently do not hold a Certified General Real Property Appraiser state certification:** Appraiser does not meet the requirement of state certification but may continue to provide appraisal and appraisal review work by working with a Regional Appraiser who holds the general real property appraiser certification, referred to as the state-certified appraiser in this document. However, any current staff appraiser seeking certification should continue to conduct appraisal work, including reviews, appropriate to his or her grade level and experience. When the current staff appraiser's work is completed, a state-certified appraiser in the region must certify the appraiser's work, in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), and in particular, the Competency Rule of USPAP. The state-certified appraiser is responsible for determining the appropriate level of supervision required for the appraisers in his or her region. Both appraisers must sign the Fair Annual Rent review, and any other appraisal reports or review reports that are developed until the appraiser receives the required state certification.

The appraiser must begin action to obtain the general real property appraiser state certification in compliance with the requirements in their state of residence, and provide timetable of actions to complete the certification to the lead appraiser for Fair Annual Rent in Central Office.

The appraiser must also complete the educational and experience requirements of a Certified General Real Property Appraiser in their state of residence, and demonstrate progress in completing these requirements. This may also include obtaining lower levels of state certification in order to reach the Certified General level. When the certification is obtained, documentation must also be presented to the lead appraiser.

The levels are:

Trainee Real Property Appraiser

Licensed Real Property Appraiser

Certified Residential Real Property Appraiser

Certified General Real Property Appraiser

The level of responsibility, types of properties that can be valued, and supervision of appraisers should be within the regulations of the state of residence of the appraiser. The Appraisal Foundation, Appraisal Qualifications Board provides criteria for certification, which is available at [www.appraisalfoundation.org](http://www.appraisalfoundation.org).

If an appraiser was hired prior to the issuance of Appraisal Reforms (6/9/2006) and is in a developmental program, the region should continue the development of the appraiser, and include appropriate education and developmental assignments so the appraiser can obtain state certification. Please consult with the Valuation staff and Valuation Manager in Central Office if additional developmental assignments are needed but not available in the region.

#### **Additional clarifications and requirements of State Certification:**

**Educational Requirements/Educational Program:** Appraisers must meet the educational requirements for the Certified General Real Property Appraiser state certification as required in their state of residence and used toward obtaining their certification, and receive a passing grade on all courses. Appraisers who are obtaining state certification should provide documentation to demonstrate completion of all educational requirements, along with passing grades, to the lead appraiser for Fair Annual Rent program. Appraisers who currently holding state certifications have demonstrated that they meet the educational requirements, but will have continuing education requirements, and should provide documentation of completion of any continuing education to maintain the state certification.

**Interpretation of State of Residence:** With regional offices covering multiple states, and cases where the Regional Appraiser may not reside in the state where primary work is completed, latitude is given in the interpretation of state of residence. The state of residence can be any state within the purview of the regional office. The appraiser must demonstrate that the Certified General state certification is obtained in a state where a significant amount of work is completed so the appraiser can maintain his or her certification.

**The next two sections are grandfathering provisions applicable to the State Certification requirement.**

**1. Regional appraiser holds active Certified General Real Property Appraiser state certification in another state that is not the appraiser's state of residence:**

Regional appraisers are considered to meet state certification requirement but must transition the license to his or her state of residence. Each Regional Appraiser must provide a timetable of actions needed, following with status reports and supporting documentation of actions taken. Reporting is sent to the lead appraiser for Fair Annual Rent in Central Office. Should the timetable of action not be met as scheduled, the appraiser will no longer be considered as meeting the requirement and will not be authorized to independently sign review appraisal reports. The appraiser will then be considered as uncertified and will need to begin action to obtain a license as described above.

**2. Regional appraiser holds an inactive Certified General Real Property Appraiser general state certification:**

If the state certification has expired in the past two years, the appraiser is considered to meet the state certification requirement but must expeditiously reactivate the license at the earliest possible date. The Regional Appraiser must provide a timetable of actions needed and documentation of actions taken and receipt of state certification to the lead appraiser for Fair Annual Rent in Central Office.

If the state certification expired more than two years ago, the appraiser is not considered as meeting the Certified General state certification requirement, and must proceed with obtaining a state certification in accordance with the requirements outlined in this document. The Regional Appraiser must provide timetable of actions needed and documentation of actions taken and receipt of state certification to the lead appraiser for Fair Annual Rent in Central Office.

Should the timetable of action not be met as scheduled, the appraiser will no longer be considered as meeting the requirement and will not be authorized to independently sign review appraisal reports. The appraiser will then be considered as uncertified and will need to begin action to obtain a license as outlined in this document.

### **3. Appeal Process**

## **FAR Appraisals: Guidance for Regional Appraisers**

### **Summary**

Customer agencies are entitled to understand how their rent is established. And if they disagree with proposed rents they are entitled to challenge those rents. Regional and Central Office appraisers may assist an agency in its review of any property whose rent has been set by Fair Annual Rent appraisals or by ROI analysis<sup>7</sup>.

GSA's formal appeal policy resides in the Pricing Desk Guide, 4<sup>th</sup> edition, with the underlying process prescribed in our federal regulations. The following excerpts from chapter 41 of the Code of Federal Regulations, 102-85.155, describe two essential elements in a formal appeal process.<sup>8</sup>

(1) Terms, including rates, to which the parties agree in an OA are not appealable;

(3) In GSA-owned space, when the fully serviced shell Rent is established through appraisal, the appraised rate must exceed comparable commercial square foot rates by 20 percent.

The appeal must be initiated by an agency prior to signing an OA. The customer agency must demonstrate that the 20% threshold has been exceeded.

(d) A customer agency filing an appeal for a particular location or building must develop documentation supporting the appeal and file the appeal with the appropriate Regional Administrator.

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<sup>7</sup> Details on the various aspects of a rent assignment that may be challenged can be found in the 2010 PBS Pricing Desk Guide, 4<sup>th</sup> Edition. See Chapter 5.5

<sup>8</sup> The entire language from 41 CFR Part 102-85-155 excerpted from the Code Of Federal Regulations has been attached to the end of this document

## Sequence of Appeals

1. **Informal Inquiry** May be requested at any time. Informal inquiries are generally directed to the appropriate PBS regional office. Such inquiries do not constitute a formal appeal.
2. **Appeal to the Regional Administrator** This appeal must include the necessary support for the 20% threshold and will be reviewed by the PBS regional appraisal staff. Final determination is made by the Regional Administrator.
3. **Appeal to the Commissioner of PBS.** This appeal must be filed by the agency's headquarters officials and will be reviewed by the Commissioner's Office and by the lead appraiser in the Fair Annual Rent Program. Final determination is made by the PBS Commissioner.
4. **Appeal to the GSA Administrator** The head of an agency may further the appeal to the GSA Administrator. All prior appeals must be documented and accompany this appeal.

*The Administrator's ruling is final.*

## Informal Inquiries

An agency may request a regional review of an existing or proposed rate and the underlying appraisal. Such inquiries should be addressed to the Regional Appraiser, who may complete any or all of the following:

- Notify or consult the lead appraiser for the Fair Annual Rent Program
- Establish an appointment with the agency's designated representative having the authority to sign OAs, to explain GSA's Fair Annual Rent Appraisal Process
- Review the existing appraisal documentation with the customer agency
- After explaining the FAR process and appraisal, provide a copy of the appraisal to the customer agency (see "Discussion Points for FAR Appraisals, attached)



Once an occupancy agreement (OA), based on an approved appraisal, has been signed by the customer agency, the established rate will not be changed.

## **Formal Appeals**

Up to the point the OA is signed, if an agency is not satisfied with results of its informal inquiries, it may present a formal appeal. To file an appeal an agency must<sup>9</sup>

- Compare the proposed rate for its assigned space with other space in the surrounding community that:
  - Is available in a similarly sized block of space in a comparable location;
  - Is comparable in quality to the space provided by GSA;
  - Provides similar service levels as part of the charges;
  - Contains similar contractual terms, conditions, and escalations clauses; and
  - Represents a lease transaction completed at a similar point in time.
- Data from at least three comparable locations will be necessary to demonstrate market characteristics sufficient to warrant revising an appraised Rent charge.
- Demonstrate that GSA's proposed rate exceeded the market (at the time of the appraisal) by at least 20%.

## **Appeal Appraisal**

While not technically necessary to make an appeal, an appraisal supporting the conclusion that GSA's rate exceeded the market is strongly recommended. The appeal challenges the reasonableness of the original appraisal. An appeal appraisal, written under the same conditions and assumptions as the original appraisal, might prove the original conclusion was 20% higher than commercially equivalent rates. To replicate conditions of the original appraisal, the appeal appraiser must:

- Adhere to the same Fair Annual Rent Contractor Instructions

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<sup>9</sup> 41 CFR Part 102-85-155



- Comply with Uniform Standards of Professional Appraisal Practice (USPAP) and be competent to perform the appraisal.
- Use the same appraisal date (assumed date of inspection) as the original FAR appraisal (now a retrospective date) and the same effective fiscal year date, trended from the assumed date of inspection.
- Trend conclusions based on the market perspective at the time of the original appraisal.
- Use only market data that was reasonably available for the original appraisal. Later data may be pertinent and acceptable with explanation, if it reflects the market as of the inspection date of the original appraisal.

If the appeal appraisal is not made under similar conditions, it is not a realistic basis for comparison. To be convincing, the appeal must challenge the appraisal's conclusions in the context of the then-current market.

The Federal budget process requires GSA to establish FAR rates 2 to 3 years in advance. These rates inherently trail the market in both rapidly escalating markets and in down markets. The appeal is not a test of whether the concluded rates held up to the test of time; it is a test of the reasonableness of the conclusions based on market conditions at the time.

## Appeal Timeframes

- **Filing an Appeal**
  - **Informal Inquiries** May be presented any time prior to or during a tenant assignment. However, such inquiries can only lead to an actionable appeal if they are made prior to signing the OA.
  - **Formal Appeals** Must be initiated with written notice given to GSA prior to the start of the OA.
    - The actual appeal must then be submitted for review within 90 days.
    - If both parties agree, the OA may be conditionally implemented with corrections if any, made retroactively to the start of the OA.
- **Response to an Appeal**

- GSA will respond to **Informal Inquiries** within 7 days and will schedule a meeting within 30 days, subject to availability of the parties involved. The Regional Appraiser may involve others, including Central Office.
- **Formal Appeals.** The complexity of the Rent Appeal will dictate the typical response time
  - Correction of errors; or re-evaluation/confirmation of original appraisal and assignment data should be completed within 30-45 days.
  - If GSA's analysis requires an on-site visit of the property or comparable properties; reappraisal; third party input, a response should be expected within 60 to 90 days.

## Corrections

(b) GSA will not increase or otherwise change Rent for any assignment, except as agreed in an OA, in the case of errors, or when the OA is amended<sup>10</sup>.

Errors in measurement or space assignment will be handled in accordance with procedures outlined in the Pricing Desk Guide, 4th edition. Errors found in an appraisal are generally addressed within GSA's four-tiered review procedures of the Fair Annual Rent Program. If significant errors are revealed outside the review process, they will be referred to the lead appraiser, Fair Annual Rent Program. Corrective review will include

- Evaluate the impact (if any) of error(s) on the appraisal conclusions.
- If necessary, return the appraisal to the original appraiser for consideration
- If necessary, seek a new appraisal

GSA has established a four step review process designed to minimize appraisal error and ensure credible appraisal conclusions. Every Fair Annual Rent appraisal is subjected to the review process. Once the review process has been completed, approved rates will not be modified unless correction indicates the concluded rate would be 20% higher than rates for commercially equivalent rates.

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<sup>10</sup> 41 CFR Part 102-85-155

**Objective vs. Subjective.** No distinction is recognized within the FAR appraisal process between objective and subjective error. While subjective errors may be more difficult to prove, ultimately, the measure of either will be the impact on the value (rate) conclusion.

## **ROI Appeals**

Appeals of ROI-based rent assignments follow the same parameters as the appraisal appeal process. The same informal inquiries and formal appeal options are available to customer agencies, subject to the following additional conditions:

When shell Rent in owned space is established on the basis of ROI at the inception of an OA, and the customer agency executes the OA, then the ROI rate cannot later be appealed. Other components of Rent that are established on the basis of actual cost—e.g., amortization of TIs and building specific security charges—also cannot be appealed.<sup>11</sup>

## **Background**

GSA has a Federal mandate to charge commercially equivalent rental rates to all Federal tenants occupying space in Federal buildings. GSA establishes rates using third party contract appraisers to conduct appraisals according to the Uniform Standards of Professional Appraisal Practice (USPAP) and GSA Fair Annual Rent (FAR) Appraisal instructions.

## **Attachments**

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<sup>11</sup> 41 CFR Part 102-85-155

## **102-85.155 What does a customer agency do if it does not agree with a Rent bill?**



(a) If a customer agency does not agree with the way GSA has determined its Rent obligation (e.g., the agency does not agree with GSA's space classification, appraised Rent, or the allocation of space), the agency may appeal its Rent bill to GSA.

(b) GSA will not increase or otherwise change Rent for any assignment, except as agreed in an OA, in the case of errors, or when the OA is amended. However, customer agencies may at any time request a regional review of the measurement, classification, service levels provided, or charges assessed that pertain to the space assignment without resorting to formal procedures. Such requests do not constitute appeals and should be directed to the appropriate GSA Regional Administrator.

(c) If a customer agency still wants to pursue a formal appeal of Rent charges, they may do so, but with the following limitations:

(1) Terms, including rates, to which the parties agree in an OA are not appealable;

(2) In leased space, the contract rent passed through from the underlying lease cannot be appealed;

(3) In GSA-owned space, when the fully-serviced shell Rent is established through appraisal, the appraised rate must exceed comparable commercial square foot rates by 20 percent. When shell Rent in owned space is established on the basis of ROI at the inception of an OA, and the customer agency executes the OA, then the ROI rate cannot later be appealed. Other components of Rent that are established on the basis of actual cost—e.g., amortization of TIs and building specific security charges—also cannot be appealed.

(4) Additionally, the customer agency is required to compare its assigned space with other space in the surrounding community that:

(i) Is available in similar size block of space in a comparable location;

(ii) Is comparable in quality to the space provided by GSA;

(iii) Provides similar service levels as part of the charges;

(iv) Contains similar contractual terms, conditions, and escalations clauses; and

(v) Represents a lease transaction completed at a similar point in time.

(5) Data from at least three comparable locations will be necessary to demonstrate a market trend sufficient to warrant revising an appraised Rent charge.

(d) A customer agency filing an appeal for a particular location or building must develop documentation supporting the appeal and file the appeal with the appropriate Regional Administrator. The GSA regional office will verify all pertinent information and documentation supporting the appeal. The GSA Regional Administrator will accept or deny the appeal and will notify the appealing agency of his or her ruling.

(e) A further appeal may be filed by the customer agency's headquarters level officials with the Commissioner, Public Buildings Service, if equitable resolution has not been obtained from the initial appeal. A head of a customer agency may further appeal to the Administrator of the General Services. Documentation of the procedures followed for prior resolution must accompany an appeal to the Administrator. Decisions made by the Administrator are final.

(f) Adjustments of Rent resulting from reviews and appeals will be effective in the month that the agency submitted a properly documented appeal. Adjustments in Rent made under this section remain in effect for the remainder of the 5-year period in which the charges cited in the OA were applicable.

## **§ 102-85**

### **DISCUSSION POINTS FOR FAR APPRAISALS**

When meeting with tenant representatives to review and then release our FAR appraisal it is important that they understand not only GSA's appraisal process but the federal budget process as well.

To make sure that there is a clear understanding of both, the following points need to be discussed and emphasized to the tenant:

- GSA has a federal mandate to provide a commercial equivalent rental rate to all federal tenants occupying space in federal buildings. GSA does this by the use of third party contract appraisers who conduct the appraisals according to the Uniform Standards of Professional Appraisal Practice (USPAP) and GSA FAR appraisal instructions.
- The FAR appraisal cycle is tied to the federal budget cycle and is currently prepared some 31 months in advance. That means GSA FAR appraisals are being conducted 36+/- months prior to the effective date of the rate.
- This rate setting process is to ensure that federal tenants receive a 5-year levelized rent. This helps to stabilize budgets and prevent radical up and down swings in the agency's budget. Typically GSA hears rent complaints from tenants when the appraisal was done in a strong market and takes effect in a declining market. Conversely, GSA does not hear from the tenants when the reverse is true.
- The timing of FAR appraisals is part of the budgeting process and the FAR appraised rate is submitted to OMB by GSA via the RentEst for inclusion into the specific agencies budget. It is important to understand that GSA provides OMB with the total rental amount (not a building by building breakdown) for the agency and that total is derived from the Rent Est. RentEst extracts the building rental rates from ADS and current OAs. The total of those numbers are then provided to OMB. It should be made very clear that the agency cannot take that rent total and divide it by their national square footage to arrive at a rate – it doesn't work and will not mirror any appraised/OA rate. The rental rates are determined by individual buildings appraisal for that cycle and existing OAs.
- Our June 2006 FAR appraisal program reforms should be noted.
- GSA's FAR appraisal review process should be explained and shown to the tenant. Emphasis should be placed on the four step review process with both the PT directors involvement and their understanding of the appraised rate and the final Central Office review and acceptance. It should be stressed that appraised rental rates cannot be used until they have gone through the four-step process and been approved/accepted by the lead appraiser.

- When providing appraisals all documentation should be provided – appraisal, Regional Review, Pt Director Concurrence, Central Office Review and Acceptance – in the package. Transparency here is important give them all the documents.

#### 4. GSA Instructional Letter

GENERAL SERVICES ADMINISTRATION  
Washington, DC 20405

CPO IL-05-01  
December 30, 2004

##### GSA Instructional Letter

SUBJECT: Using GSA Funds to Pay for Professional Credentials and Certifications

1. Purpose. This Instructional Letter provides direction and guidance on using GSA funds to pay for professional credentials and certifications.

2. Background. Prior to enactment of 5 U.S.C. § 5757, the Comptroller General had interpreted federal law as prohibiting payment for expenses related to licenses and certifications. There were exceptions for requirements established in law or for qualifications set by the Office of Personnel Management.

Subsection 5757 of Title 5, United States Code, (enacted by section 1112 of the National Defense Authorization Act for Fiscal Year 2002, Pub. L No. 107 -107, Div. A, Title XI, 115 Stat. 1238 (2001)) now permits agencies to use appropriated funds or funds otherwise available to the agency to pay for "expenses for employees [in any Federal pay system] to obtain professional credentials, including expenses for professional accreditation, State-imposed and professional licenses, and professional certification; and examinations to obtain such credentials." This authority is discretionary on the part of agencies and is not an entitlement or benefit of employment.

3. Clearance due date. This IL is effectively immediately, however, any comments are due 30 days from the signature date.

4. Expiration date. Upon issuance of a GSA Order which incorporates this IL.

5. Applicability. The provisions of this IL apply to all GSA employees, except the Administrator and any other position in the Executive Schedule; members of the Senior Executive Service, both career and non career, and Schedule C employees.

6. Explanation of change.

a. This authority allows for payment of expenses for employees (in any Federal pay system) to obtain professional credentials, including expenses for professional accreditation, state-imposed and professional licenses, and professional certification. It also allows for payment of examinations to obtain such credentials. It does not allow payment for exam preparation courses. GSA organizations may pay for renewal of professional credentials. Payment for licenses and certificates, and their subsequent renewals, may include, at the organization's discretion, such additional expenses as



membership fees required to be paid to the organization for the employee to be eligible to take a certification examination, examinations, registration fees, and travel and per diem costs incurred in order to take an exam or obtain a licensing credential.

b. For example, GSA may pay for an employee to obtain a CPA accreditation, architect and engineer's examination, trade license, or American Institute of Architects (AIA) certification. GSA may not pay fees for individual membership in professional associations that are not a condition of a license.

c. This authority should be used where it is beneficial to the systematic development and enhanced job performance of employees in support of the agency mission, values or goals, or to better meet management objectives.

d. Any fees for a license, credential or examination may only be paid if approved by the Heads of Services and Staff Offices, Inspector General, and Regional Administrators or their designees.

7. Criteria for payment of professional credentials. GSA organizations must use either of the following criteria to implement payment for professional credentials:

a. Where it is beneficial to the systematic development and enhanced job performance of employees in support of GSA's mission, objectives, and goals; or

b. When recruitment and retention incentives are necessary. At its discretion, an organization may offer candidates for employment or current GSA employees an opportunity to pursue and continue professional development during their employment with GSA. Organizations shall make the terms of their offer in writing. The written offer must include:

(1) The purpose of the incentive;

(2) The nature of incentive, whether it includes application fees, licensing fees, exam fees, etc; and

(3) Duration (dates) and amount of incentive.

c. GSA organizations may use this authority to develop and enhance the performance of employees projected for new positions when it is for the purpose of accomplishing an identified GSA goal consistent with GSA's human resources management plan.

8. Responsibilities. Approving officials are responsible for assuring that:

a. Payment for a professional credential is in the best interest of GSA and supports the organization's strategic business plans, goals, and mission.

b. The professional examination, credential, or license meets all of the criteria listed

above for payment. The criteria for licenses and certifications are consistent with merit system principles as set forth in 5 USC § 2301.

c. Approving officials may determine not to pay the costs of any credentialing or licensing or qualifying exams during any specified time periods. Approving officials may limit payments to cover only a portion of a credentialing or licensing fee or cost of a qualifying exam or to limit the number of times a single employee may receive reimbursement for attempts at becoming credentialed, licensed or passing a qualifying exam. Approving officials may also limit the number of credentials, licenses, or examination fees that the government will reimburse for an employee.

9. Processing request. Employees must seek authorization from their supervisor and approval from the Head of Service and Staff Office, Regional Administrator, or designee for payment of a professional credential. GSA organizations must set up payment procedures and processes through their financial officers.

10. Record of payment of professional credentials. GSA organizations may use a Government-issued purchase card or GSA Form 300 (Purchase Order) for payment of professional credentials. If a training course is taken and the results include a professional credential, organizations may use a GSA Form 3076. Approving officials are required to retain a record of authorizing payment for at least two years. This payment record will be recorded in the Pegasys (or subsequent GSA-utilized) Financial System.

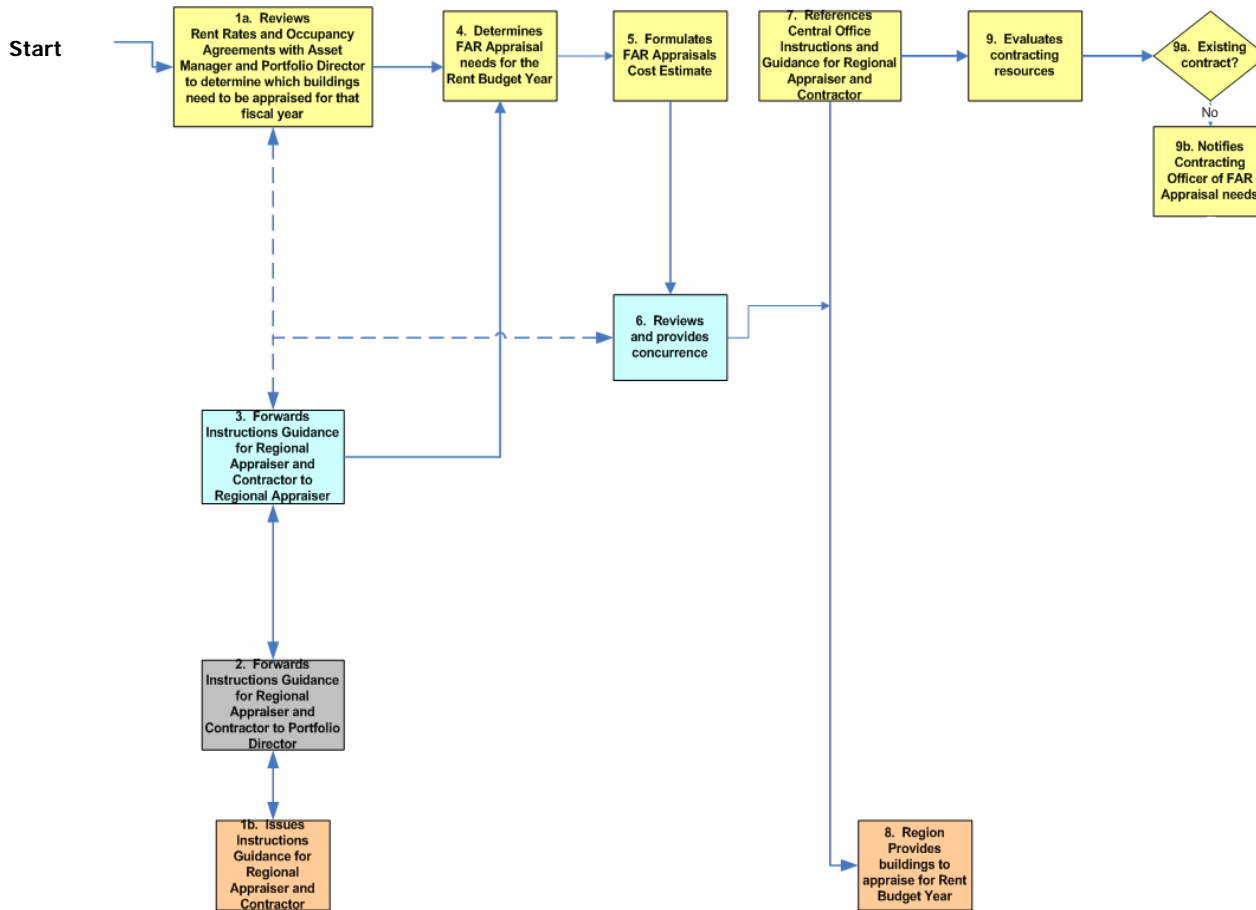
11. Filing instructions. File this IL with OAD P 9410.1, Employee Development and Training.

GAIL T. LOVELACE  
CHIEF PEOPLE OFFICER (C)

▶ Validation

## 5. Fair Annual Rent (FAR) Appraisal Process

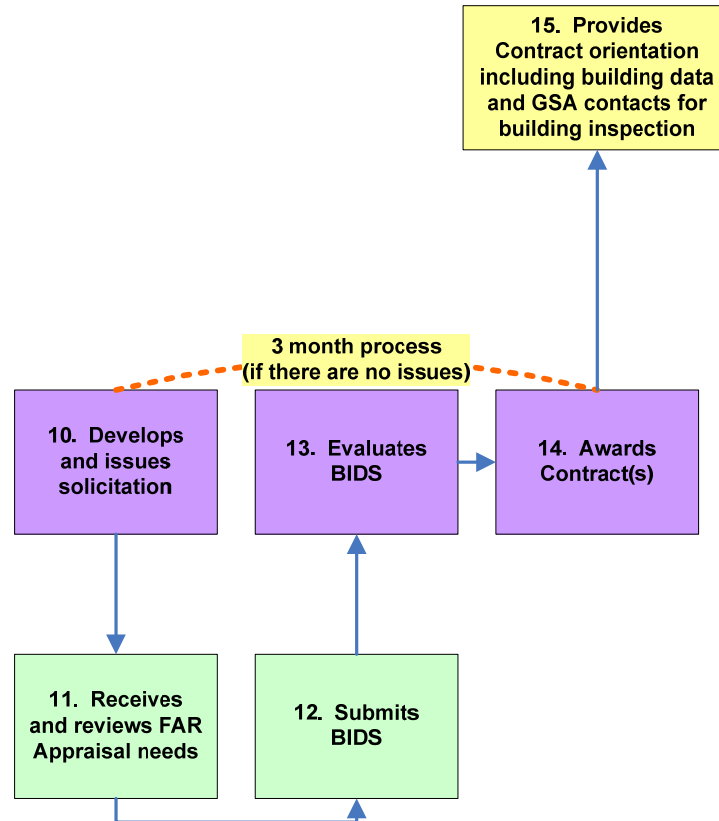
Timeframe: February 16 – March 31



Step Number	Responsible Group	Step Description	Comments
1a	Regional Appraiser	Reviews rent rates and occupancy agreements (OA) with asset manager and portfolio director to determine which buildings need to be appraised for that fiscal year	Steps 1a and 1b are executed concurrently
1b	Central Office Appraisal Team	Issues instructions guidance for regional appraiser and contractor	
2	Regional Commissioner	Forwards instructions guidance for regional appraiser and contractor to portfolio director	
3	Portfolio Director	Forwards instructions guidance for regional appraiser and contractor to regional appraiser	
4	Regional Appraiser	Determines FAR appraisal needs for the Rent Budget Year	
5	Regional Appraiser	Formulates FAR appraisal Cost Estimate	
6	Portfolio Director	Reviews and provides concurrence	
7	Regional Appraiser	References Central Office instructions and	

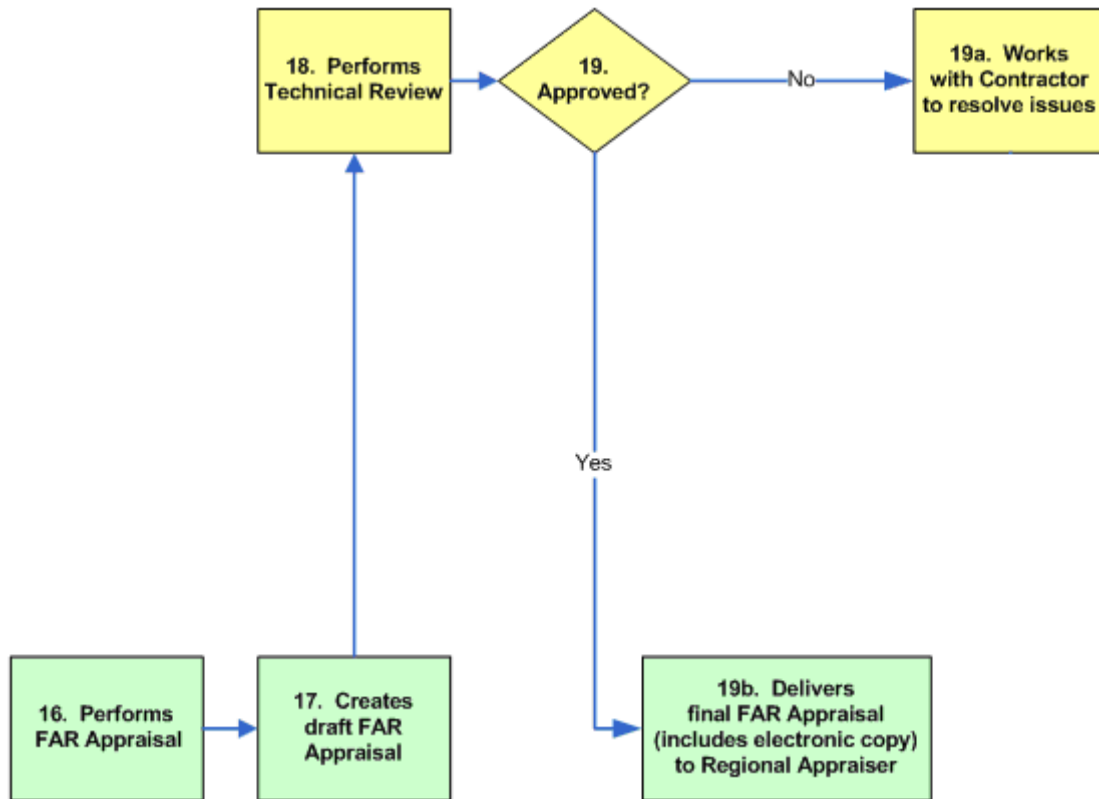
Step Number	Responsible Group	Step Description	Comments
		guidance for Regional Appraiser and contractor	
<b>8</b>	Regional Appraiser	Region provides buildings to appraise for Rent Budget Year	This is a notification to Central Office Appraisal Team
<b>9</b>	Regional Appraiser	Evaluates contracting resources	
<b>9a</b>	Regional Appraiser	If there is an existing contract, proceed to step #15. If there is no existing contract, proceed with step #10	
<b>9b</b>	Regional Appraiser	Notifies contracting officer of FAR appraisal needs	

**Timeframe: April 1 – June 30**

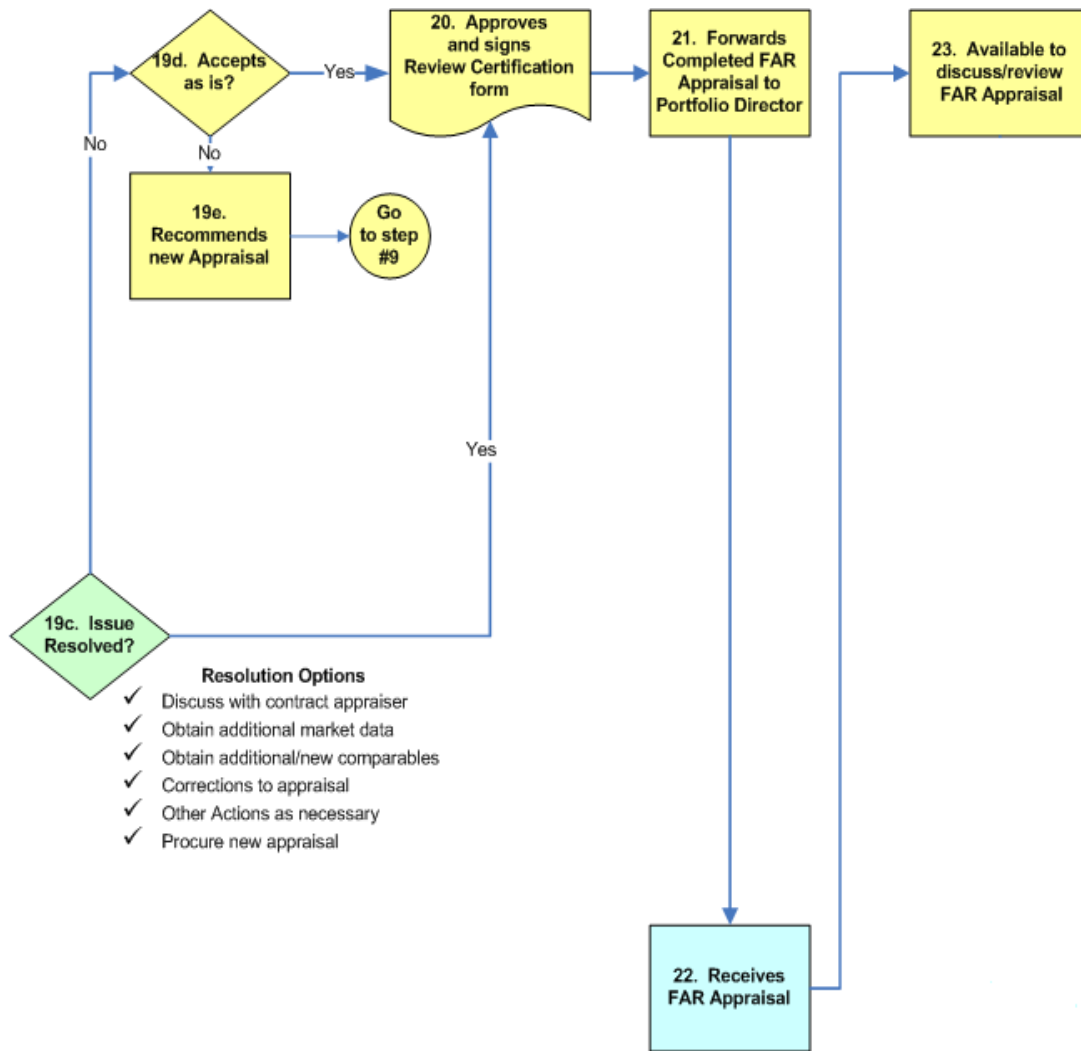


Step Number	Responsible Group	Description	Comments
10	Contracting Officer	Develops and issues solicitation	
11	Contractor	Receives and reviews FAR appraisal needs	
12	Contractor	Submits BIDS	
13	Contracting Officer	Evaluates BIDS	
14	Contracting Officer	Awards contract(s)	
15	Regional Appraiser	Provides contract orientation including building data and GSA contacts for building inspection	

Timeframe: July 1 – November 15



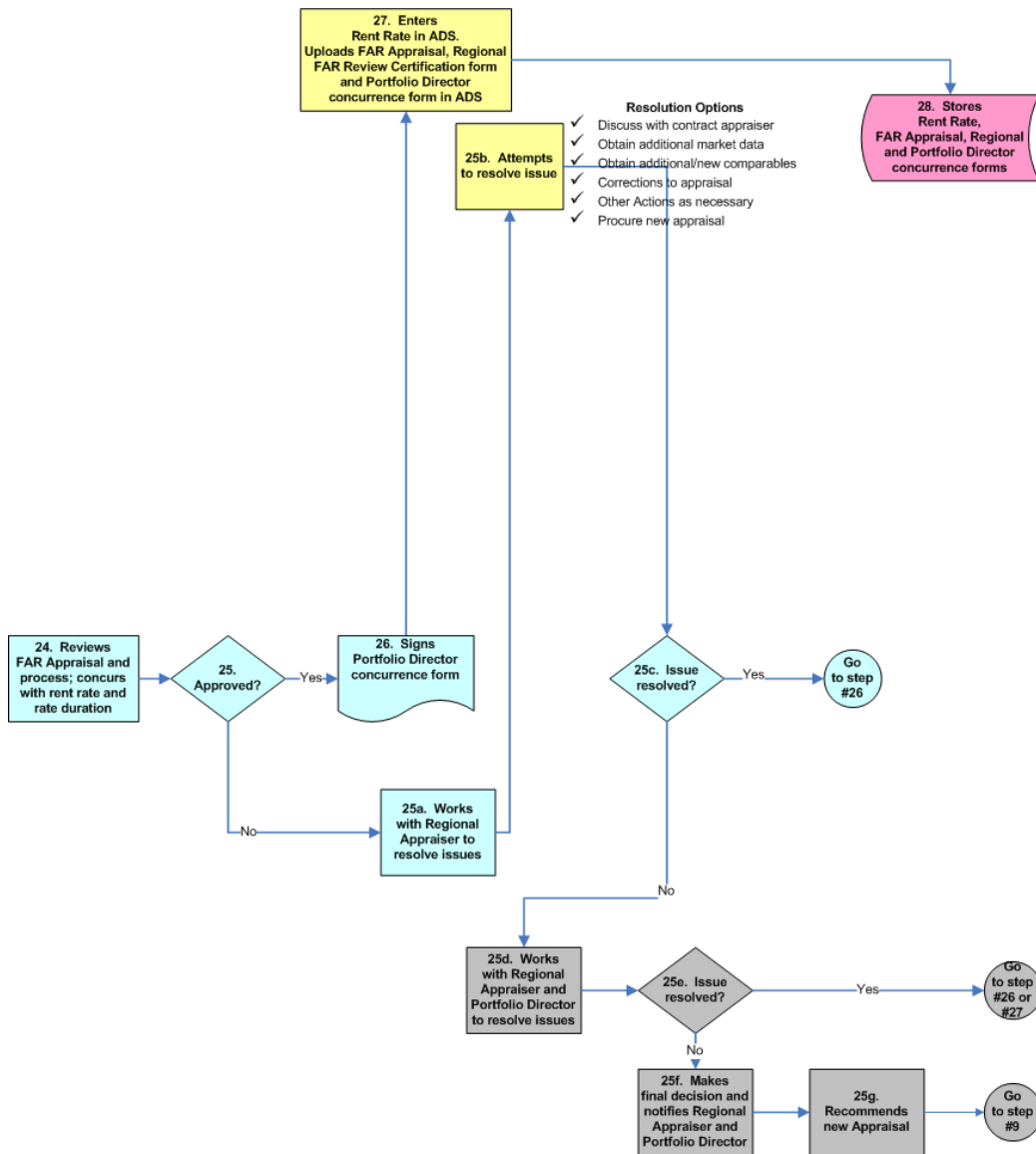
Step Number	Responsible Group	Step Description	Comments
<b>16</b>	Contractor	Performs FAR appraisal	
<b>17</b>	Contractor	Creates draft FAR appraisal	
<b>18</b>	Regional Appraiser	Performs technical review	
<b>19</b>	Regional Appraiser	If the draft FAR appraisal is approved, proceed to step #19b.  If the draft FAR appraisal is not approved, proceed to step #19a.	
<b>19a</b>	Regional Appraiser	Works with contractor to resolve issues	
<b>19b</b>	Contractor	Delivers final FAR appraisal (includes electronic copy) to Regional Appraiser	



Step Number	Responsible Group	Step Description	Comments
19c	Contractor	Issue resolved? If the issue is resolved, proceed to step #20.  If the issue is not resolved proceed to step #19d	<b>Resolution Options</b> ✓ Discuss with contract appraiser ✓ Obtain additional market data ✓ Obtain additional/new comparables ✓ Corrections to appraisal ✓ Other Actions as necessary ✓ Procure new appraisal
19d	Regional Appraiser	If the FAR appraisal is going to be accepted as is, proceed to step #20.  If the FAR appraisal is not going to be accepted as is, proceed to step #19e	

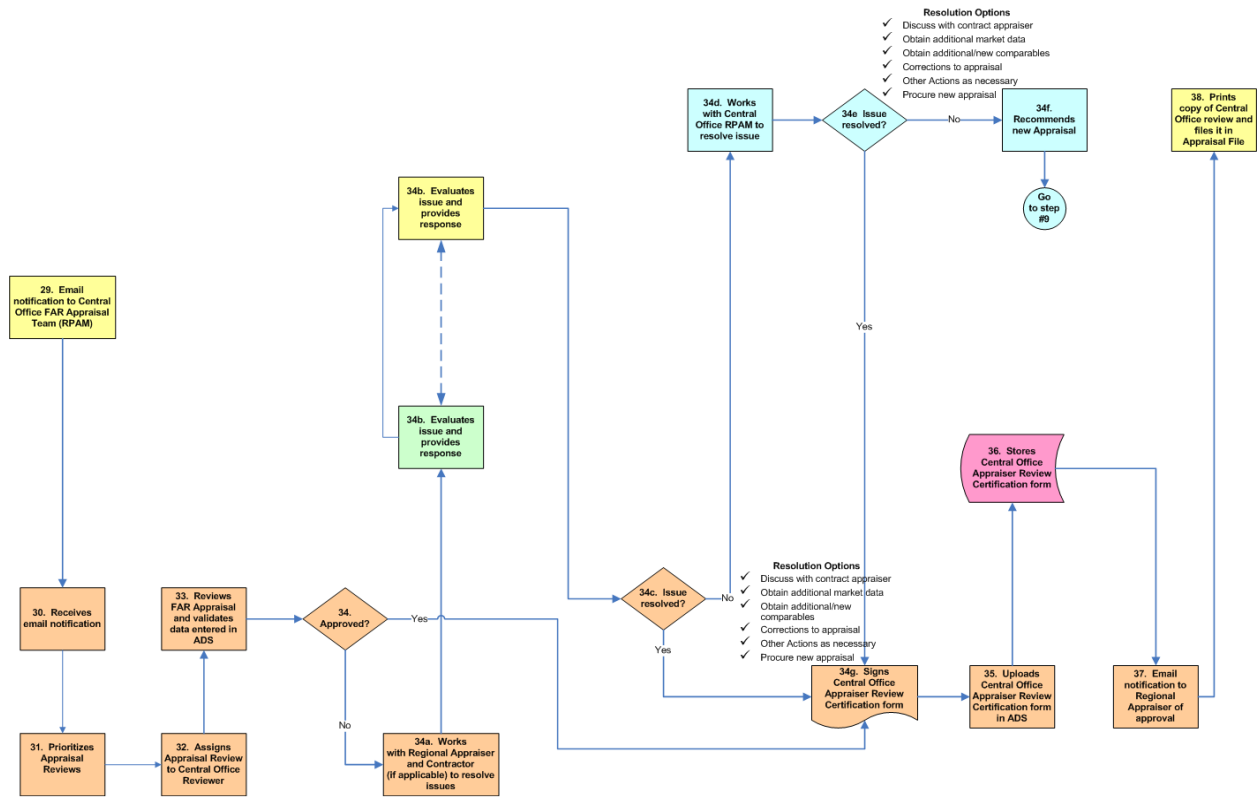


Step Number	Responsible Group	Step Description	Comments
19e	Regional Appraiser	Recommends new appraisal. Go back to step #9	
20	Regional Appraiser	Approves and signs review certification form	
21	Regional Appraiser	Forwards completed FAR appraisal to portfolio director	
22	Portfolio Director	Receives FAR appraisal	
23	Regional Appraiser	Is available to discuss/review FAR appraisal	



Step Number	Responsible Group	Step Description	Comments
24	Portfolio Director	Reviews FAR appraisal and process; concurs with rent rate and rate duration	
25	Portfolio Director	If the FAR appraisal is approved, proceed to step #26.  If the FAR appraisal is not approved, proceed to step #25a	
25a	Portfolio Director	Works with Regional Appraiser to resolve issues	
25b	Regional Appraiser	Attempts to resolve issue	
25c		Issue resolved? If the issue is resolved, go to step #26.  If the issue is not resolved proceed to step #25d	
25d	ARA	Works with Regional Appraiser and portfolio director to resolve issues	
25e	ARA	Issue resolved? If the issue is resolved, go to step #26 or #27.  If the issue is not resolved proceed to step #25f	
25f	ARA	Makes final decision and notifies Regional Appraiser and portfolio director	
25g	ARA	Recommends new appraisal. Go back to step #9	
26	Portfolio Director	Signs portfolio director concurrence form	
27	Regional Appraiser	Enters rent rate in ADS. Uploads FAR appraisal, Regional FAR Review Certification form and portfolio director concurrence form in ADS	
28	ADS	Stores rent rate, FAR appraisal, regional and portfolio director concurrence forms	

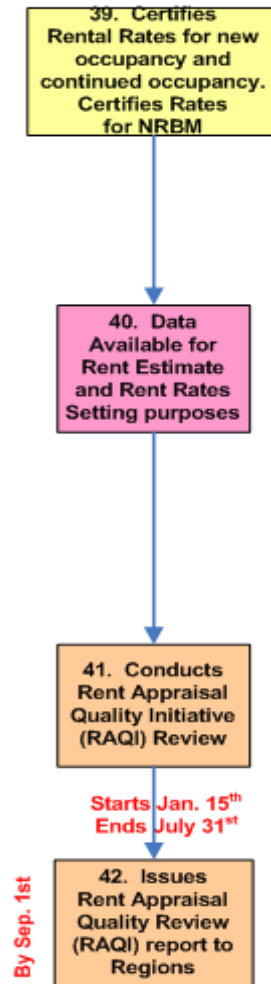
Timeframe: November 16 – February 15



Step Number	Responsible Group	Step Description	Comments
29	Regional Appraiser	Email notification is sent to Central Office FAR Appraisal Team (RPAM)	
30	Central Office Appraisal Team	Receives email notification	
31	Central Office Appraisal Team	Prioritizes appraisal reviews	
32	Central Office Appraisal Team	Assigns appraisal review to Central Office reviewer	
33	Central Office Appraisal Team	Reviews FAR appraisal and validates data entered in ADS	
34	Central Office Appraisal Team	<p>If the FAR appraisal is approved, proceed to step #34g.</p> <p>If the FAR appraisal is not approved, proceed to step #34a</p>	

Step Number	Responsible Group	Step Description	Comments
<b>34a</b>	Central Office Appraisal Team	Works with Regional Appraiser and contractor (if applicable) to resolve issues	
<b>34b</b>	Regional Appraiser and Contractor	Evaluates issue and provides response	
<b>34c</b>	Central Office Appraisal Team	Issue resolved? If the issue is resolved, proceed to step #34g  If the issue is not resolved, proceed to step #34d	
<b>34d</b>	Portfolio Director	Works with Central Office RPAM to resolve issue	
<b>34e</b>	Portfolio Director	Issue resolved? If the issue is resolved, proceed to step #34f.  If the issue is not resolved proceed to step #34g	
<b>34f</b>	Portfolio Director	Recommends new appraisal.  Go back to step #9	
<b>34g</b>	Central Office Appraisal Team	Signs Central Office Appraiser Review Certification Form	
<b>35</b>	Central Office Appraisal Team	Uploads Central Office Appraiser Review Certification Form in the ADS	
<b>36</b>	ADS	Stores Central Office Appraiser Review Certification Form	
<b>37</b>	Central Office Appraisal Team	Email notification of approval is sent to Regional Appraiser	
<b>38</b>	Regional Appraiser	Prints copy of Central Office review and files it in appraisal file	

Timeframe: by February 15



Step Number	Responsible Group	Step Description	Comments
39	Regional Appraiser	Certifies rental rates for new occupancy and continued occupancy.  Certifies rates for NRBM	
40	ADS	Data available for Rent Estimate and rent rates setting purposes	
41	Central Office Appraisal Team	Conducts Rent Appraisal Quality Evaluation (RAQE) review	<b>Starts Feb 15 and ends July 31</b>
42	Central Office Appraisal Team	Issues Rent Appraisal Quality Review (RAQEI) report to regions	<b>By Sept 1</b>
43		END	