



Department of Veterans Affairs

Financial Policy

Volume V

Assets

Chapter 11

Accounting for Real Property Leases

Approved:

A handwritten signature in black ink, appearing to read "Ed Murray", is written over a horizontal line.

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12-12-17

Date

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1101 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding leasing of real property. VA may lease real property from the General Services Administration (GSA), other federal agencies to include other VA component organizations, or from non-Federal entities. VA's authority to enter into a lease with any non-federal party is derived exclusively from delegated authority from GSA.

Key points covered in this chapter:

- Lease obligations will be established on a fiscal year basis regardless of whether the lease period extends beyond the end of the fiscal year.
- All requests for new and replacement leases, or expansions to existing leases, must receive approval from the Strategic Capital Investment Program (SCIP) prior to execution of the lease agreement.
- A VA office considering a lease from a non-Federal entity must first obtain a delegation of authority from GSA. Office of Asset Enterprise Management (OAEM) must coordinate the contract with GSA.
- Real property leases with GSA require a signed Occupancy Agreement (OA) to document all terms and conditions of the lease agreement.
- All leases with federal agencies other than GSA require Interagency Agreements (IAA) to support the obligations.

This chapter will not cover: (1) licensing of VA real property to non-Federal parties, or (2) space sharing with other VA or federal entities. Volume V, Chapter 12, Enhanced Use Leases provides policies for when VA is the lessor. Volume V, Chapter 9, Property, Plant, and Equipment, provides policies for equipment leases.

1102 REVISIONS

Section	Revision	Office	Reason for Change	Effective Date
All	New chapter	APPS (047G A)	Create financial policy for leases.	December 2017

1103 DEFINITIONS

Accounting Classification Code (ACC) – A data attribute in VA's financial management system which serves as the funds control element. Every lease must have a unique ACC assigned by OAEM.

Bargain Purchase Option – A provision allowing the Government to purchase leased property for a price that is lower than the expected fair market value of the property and the date the option can be exercised.

Capital Asset Inventory (CAI) – VA's enterprise-wide repository of information on the Department's real property assets, including leases, agreements, buildings, Facility Condition Assessments data, and historical asset information for the portfolio. Information in CAI is used by OAEM and other Staff offices to track all existing lease agreements.

Capital Lease – Leases that transfer substantially all the benefits and risks of ownership to the lessee. Please refer to Appendix B to determine if a lease should be considered capital or operating.

Discount rate – The interest rate used to calculate the net present value of a lease agreement.

Evaluated Lease Renewal Options – Options upon election that allow the Government to continue occupancy of leased space for an additional period without conducting a competitive procurement.

Executory Costs – Costs such as insurance, maintenance, and taxes incurred for leased property whether paid by the lessee or lessor.

Facility Condition Assessment – Data collected on each VA facility to allow for planning and expenditure of resources. Information is organized by building, system, and condition.

Fair Market Value – The amount that would be paid to acquire the asset in a free and open market.

GSA Administrator – The GSA designee with authority to enter into real property leases, and the authority to delegate this responsibility to other agencies so that they may pursue leases directly.

GSA Occupancy Agreement (OA) – A statement of the business arrangement governing the relationship between GSA and VA as a tenant agency in a GSA owned or managed property. An OA is an administratively binding assignment of space. The OA includes a complete, concise statement of the specific financial terms and conditions by which a lessee occupies GSA controlled space whether it is government-owned or leased by GSA on the lessee's behalf. The document consists of the signed agreement and a financial summary.

Intragovernmental Lease – A lease between Federal entities which would be documented via an interagency agreement. In the federal real property lexicon, the

term 'permit' is the commonly accepted term to describe an agency-to-agency, interagency or intragovernmental lease. For the purpose of this policy chapter, the term 'lease' is used throughout the document.

Interest Rate Implicit in the Lease – The implicit interest rate is used to calculate the present value of the stream of future lease payments if the interest rate is not specifically stated in the lease document. The minimum lease payments exclude executory costs and the unguaranteed residual value.

Lease – An agreement conveying the right to use property, plant, or equipment (land and/or depreciable assets) for a definite period of time in exchange for consideration. It may include operational services provided by the lessor.

Lease Extension – An increase of the lease term beyond the initial term to provide for the continued occupancy on a short-term basis. Generally, this period is not to exceed two years from the prior termination date.

Lease Option Periods – Additional lease periods beyond the initial lease term. The options may be included in the original lease agreement, and are considered evaluated lease renewal options.

Lease Renewal – An exercisable right, but not an obligation, for VA as a lessee to continue to lease a property according to specified terms and conditions already articulated in the executed lease agreement.

Lease Term – For financial reporting purposes, this represents the noncancelable period for which a lessee has the right to use the underlying asset together with all of the following:

- Periods covered by an option to continue use of the asset if the lessee is reasonably certain to exercise that option;
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option;
- Periods covered by an option to continue use of the asset (or not to terminate) in which exercise of the option is controlled by the lessor.

Leasehold Improvements – Improvements made to property, plant, and equipment acquired through either a capital or operating lease. Improvements may also be referred to as build out costs or tenant improvements.

Lessee – The entity that enters into a contract to obtain the right to use an underlying asset for a period of time in exchange for consideration. Lessee is also known as the renter.

Lessor – An entity that enters into a contract to provide the right to use an underlying asset for a period of time in exchange for consideration. Lessor is also known as the landlord.

Liability – A probable future outflow or other sacrifice of resources as a result of past transactions or events. A liability represents assets owed for goods received, services received, assets acquired, construction performed (regardless of whether invoices have been received), amounts received but not yet earned, or other expenses incurred but not paid. A lease liability is the lessee's obligation to make the lease payments arising from a lease measured on a discounted basis.

Minimum Lease Payments – The payments a lessee is obligated to make or can be required to make in connection with the leased property.

Noncancelable – The term of the lease that cannot be canceled (or terminated) by the lessee or lessor.

Operating Lease – A contract that allows the use of an asset without conveying rights of ownership. Refer to Appendix B for the factors to consider when determining if a lease should be considered capital or operating.

Permit – The federal real estate industry term to describe an agency-to-agency lease or occupancy agreement.

Present Value – The discounted value of a payment or stream of payments to be made in the future taking into consideration a specific interest rate or implied discount rate.

Real Property – Land, buildings, facilities or other structures, firmly attached, including integrated equipment (i.e., items permanently installed or attached that have become a part of the building or structure for the purpose of making the building habitable or usable). Executive Order 13327 defines Federal Real Property as any real property owned, leased, or otherwise managed by the Federal Government including improvements on Federal lands irrespective of the property's location.

Simplified Lease Acquisition Procedure (SLAP) – A process that may be used only for award of leasing actions when the average annual base rent over the term of the lease, including all options, is \$150,000 or less, and excludes the cost of operational services such as utilities and interior janitorial services. These procedures are used to reduce the time involved to evaluate and award these leases.

Standstill Agreement – Temporary measure used when the procurement for an expiring lease cannot be completed before the end of its term. The lessor will maintain Government tenancy and rent payments until a new or succeeding lease is executed. The standstill agreement does not imply a new lease, extension, or succeeding lease will be offered to the incumbent lessor.

Unserviced Rent – The base rent includes rent, real estate taxes, insurance, and any amortized build out costs and excludes all operating expenses.

1104 ROLES AND RESPONSIBILITIES

Secretary of Veterans Affairs will request prior authorization and notify Congress, per 38 U.S.C. §8104, for major medical facility leases in excess of \$1 million in average annual unserviced rent before any funds are obligated or expended other than advance planning and design, and before any lease is executed.

The Assistant Secretary for Management/Chief Financial Officer (VA CFO) oversees management of all financial and capital asset activities.

Under Secretary, Assistant Secretary, or Other Key Officials ensure compliance with the policies and procedures set forth in this chapter and have the responsibility and authority to initiate lease procurements up to \$1 million in average annual unserviced rent, upon receipt of approval from the SCIP review process for non-VHA leases. The Under Secretary may delegate approval authority to an appropriate member of the Senior Executive Service (SES).

Office of Acquisition, Logistics and Construction (OALC) is responsible for the direction and oversight of construction and facilities management.

Office of Administration and Facilities (OA&F) operates under VBA's Office of Management. The Facilities Division manages all space occupied by VBA's regional offices including all leased space. OA&F coordinates on site searches with regional offices. OA&F is responsible for committing funds, obtaining SCIP approval, applying for ACC, and executing any lease documentation.

Office of Construction & Facilities Management (CFM) is an office within OALC. CFM is responsible for the development of policies and procedures that govern VA's leasing program. The CFM Executive Director is responsible for execution of lease procurements for all leases greater than \$1 million in average annual unserviced rent and all build-to-suit lease procurements.

Office of Administration's Space and Renovations Service is responsible for work space assignments at VA's Central Office.

Office of Real Property (ORP), a component of CFM, coordinates the process for executing all lease procurements in excess of \$1 million in unserviced annual rent or build-to-suit leases. ORP is also responsible for the VA Lease Credentialing Program (VALCP) which consists of issuance of certifications and leasing warrants to Lease Contracting Officers. ORP leads VA's enterprise-wide leasing policy and compliance.

Office of Asset and Enterprise Management (OAEM) is responsible for overseeing the SCIP process, managing the Capital Asset Inventory (CAI) system, assigning ACCs for each lease agreement, liaising with GSA for delegation of authority, managing VA's capital asset portfolio, and reconciling lease expenditures and obligations in the financial system of record to CAI.

Contract Officers (CO) or Lease Contract Officers (LCO) obtain the GSA delegation of authority to procure a specific lease. They are also responsible for negotiating and signing lease agreements, and assisting program managers with lease needs. In some cases, this may be a CO with specific lease authority, and is also referred to as a Lease Contract Officer (LCO). The CO/LCO will be responsible for scoring the lease as a capital or operating lease, and maintaining the scorecard documentation over the life of the lease.

Director, Veterans Affairs Medical Center (VAMC), Veterans Integrated Service Network (VISN), or independent VA outpatient clinic have the responsibility and authority to initiate lease procurements up to \$1 million in average annual unserviced rent once SCIP approval has been obtained. This authority was delegated from the Under Secretary of Health.

VHA Center for Leasing Excellence (CLE) is responsible for the development of policies and procedures that govern VHA's leasing program. This includes the development of customer guides, training to field offices, and responding to questions received from VHA field offices.

Local Fiscal Officers are responsible for reviewing and confirming budget authority and availability of funds to support a lease and associated build out costs. This role also confirms contract approval prior to creating obligations. The local fiscal office ensures all ACCs are correctly assigned for all leases, and coordinates with local facilities management or engineering offices to update CAI with all pertinent lease information. At the end of the lease term, they are responsible for notifying Facilities Management to enter the closed lease in the CAI database. For Station 101, this responsibility is held by the Financial Services Center (FSC). The title of this role varies by location and may also be referred to as the Local Budget Officer.

1105 POLICIES

110501 LEASE POLICY OVERVIEW

- A. GSA is authorized in 40 U.S.C. §585 to enter into lease agreements to accommodate Federal agencies in buildings (or improvements) that are in existence or will be erected by the lessor. 40 U.S.C. §585 authorizes GSA to enter into leases for up to 20 years while obligating only those payments due in the current fiscal year without regard to limitations under the Antideficiency Act in 31 U.S.C. § 1341 for

expending and obligating funding. GSA may delegate this authority on a case by case basis to VA.

- B. VA will request GSA to delegate authority to VA to enter into a lease, on a case by case basis, with a non-Federal entity. 38 U.S.C. §8103 and §8109 authorizes VA to lease medical and parking facilities.
- C. The GSA Administrator will grant VA conditional delegations of leasing authority to procure space provided VA meets the following conditions:
 - 1. Centralize oversight of the delegations,
 - 2. Demonstrate organizational capacity to acquire and administer leases, and
 - 3. Establish VA's direct approach to lease acquisition is more cost-effective than GSA performing the function.
- D. Agencies using the general purpose and special purpose leasing delegations must comply with Federal Management Regulation (FMR) Bulletin C-2 which clarifies the conditions, restrictions, and reporting requirements specified within the delegation of authority. It also emphasizes the government-wide goals and objectives of real property inventory management.
- E. Federal agencies do not require delegated authority from GSA to enter into a lease with other federal agencies.

110502 IDENTIFICATION AND APPROVAL OF A NEED

The Strategic Capital Investment Program (SCIP), managed by OAEM, provides a framework to enhance the evaluation and governance of VA's capital investment infrastructure. The SCIP process provides a framework for VA to plan and prioritize capital projects, including real property leases, and to monitor VA's status on the "Reduce the Footprint"¹ national strategy directive. SCIP's Automation Tool (SAT) facilitates the development of a Ten-Year Action Plan to address identified gaps in property needed. This approach provides a structured methodology to create business cases and prioritize projects to drive VA's real property capital budget.

- A. The VA entity which identifies a need for additional space will obtain approval through the SCIP process. Documentation submitted for SCIP approval shall be maintained for the life of the lease(s).

¹ A National Strategy for Reducing the Federal Government's Real Estate Footprint, March 25, 2015.

- B. An entity without an approved replacement lease will have an out-of-cycle approval request for a replacement or present evidence of an existing standstill agreement. If there is a standstill agreement, the lease will go through the regular SCIP process to replace the expired lease.
- C. Approval from the VA Secretary is required for all leases exceeding \$1 million in average annual unserviced rent.
- D. For all proposed VHA leases exceeding \$1 million in average annual unserviced rent, the Secretary will submit a detailed prospectus and description of the proposed lease for Congressional authorization, as outlined in 38 U.S.C. §8104.
- E. After receiving Congressional authorization for the proposed VHA lease, the Secretary will notify Congress of its intent to award at least 30 (thirty) days prior to the lease award.

110503 TYPES OF LEASES

VA participates in four types of leases (based on the lessor):

- GSA owned or managed properties except for VACO;
- GSA lease for VACO space;
- Other Federal agency's owned or managed properties; or
- Properties from commercial, private sector other non-Federal sources.

A. GSA owned or managed properties except for VACO.

1. VA entities approved by the SCIP process will first seek availability of GSA managed space. Leases with GSA (or any other Federal agencies) are considered Intragovernmental Leases.
2. The VA entity will initiate the space request directly with GSA by completing and submitting Standard Form 81 (SF-81), Request for Space. See Appendix A for instructions for completing GSA SF-81.
 - For leases of space under \$1 million in average annual unserviced rent, the Under Secretary, Assistant Secretary, or Other Key Official for non-VHA may approve the GSA SF-81 form and transmit to GSA. The Under Secretary for Health has delegated this authority to Directors of the VAMC, VISN, and independent VA outpatient clinic for VHA.
 - For leases in excess of \$1 million in annual unserviced rent the Director of CFM will approve all GSA SF-81s.
3. A lease with GSA is an Occupancy Agreement (OA).

- a. The OA authorizes GSA to obtain space through a space assignment from Federal buildings within GSA's inventory or to arrange for a lease of commercial space not owned by GSA.
 - b. Once approved, GSA will assign space to the requesting entity and both parties will sign the OA.
 - c. OA will be signed by the VA individual with the appropriate authority to execute the document, or designee, as noted in the Roles and Responsibilities.
 - d. All OAs will be forwarded to the FSC. FSC will review and load OAs into the agreement repository.
 - e. On a quarterly basis, FSC's Intragovernmental Reconciliation Team downloads all OA activity from GSA's OA management platform and uploads the data into Financial Accounting Service Intragovernmental Payment and Collection Application (FASPAC).
 - f. VA will record an obligation with GSA once an OA has been signed by GSA and VA. See section 110501, Accounting for a Lease.
4. When GSA leased space is used during non-standard working hours (evenings and weekends) there may be additional charges to operate the facility. The VA office leasing the space is required to establish a Reimbursable Work Authorization (RWA) and obligation with GSA to cover those additional costs. Those costs may include utilities, security, or other costs deemed necessary to operate the space during non-standard hours.

B. GSA lease for VACO space

1. VACO Offices approved for additional space through the SCIP process will submit an approval request to the Office of Administration, Space and Renovations Services.
2. Space and Renovation Services has the responsibility to work with GSA to lease the required space if a request for additional space cannot be accommodated in existing VACO leased space.
3. All additions to the VACO space inventory will be approved by the Secretary and if the lease meets designated thresholds, VA will obtain Congressional approval and notification. See sections 110502, Identification and Approval of a Lease, and 110504, Thresholds.

C. Other Federal agency's owned or managed properties

1. Federal real property terminology refers to a lease between Federal agencies as a permit; however for financial policy purposes the term lease is employed in this document. There are two material differences between a permit and a lease. A permit does not grant a leasehold interest in the underlying asset, and consideration is not always exchanged in a permitting relationship.
2. If VA entities approved by the SCIP process are unable to satisfy their space needs from GSA available facilities, they may seek available space from other Federal entities.
3. Once an agreement has been negotiated by both Federal parties, the VA entity will ensure an Interagency Agreement (IAA) is executed by both parties and deposited in the FASPAC repository. The IAA will be used as the documentation for invoicing and settlement of payment. VA will record an obligation after the IAA is signed. See section 110505, Accounting for a Lease.
4. All IAAs will be forwarded to the FSC. The FSC will review and load the agreements into the agreement repository.

D. Properties from commercial, private sector other non-Federal sources

1. SCIP approved VA entities unable to satisfy their space needs from GSA or other Federal agencies may pursue lease options with non-Federal entities. Prior to engaging with non-Federal entities, VA will obtain delegated authority from GSA. GSA's approval to delegate authority will be based upon a finding that there is no vacant Government-owned or leased space available to meet the agency's requirements.
2. To obtain this GSA delegation, the VA entity (Administration, Staff Office, Staff Director, VAMC, VISN or Outpatient Clinic) will work with OAEM to:
 - a. Identify a certified contract officer (CO)² to enter a request in the GSA's Real Estate Exchange (G-REX) delegation data platform.
 - b. The CO certifies the request is ready for GSA review and approval and notifies OAEM.
 - c. OAEM reviews and approves the request and sends the request to GSA.

² Access to G-REX is available to individuals who are involved in processing lease delegation requests. To obtain G-REX access, requesting users must provide their background investigation information, provide a justification for access, and obtain supervisory concurrence and signature.

- d. Once GSA approves and provides specific delegation of authority, VA may begin procurement and lease execution.
3. OAEM will monitor the delegations of authority and associated limitations. Operating lease agreements under GSA's delegation of authority may not bind the Government for more than 20 years and the obligation of amounts for a lease under this subsection is limited to the current fiscal year for which payments are due without regard to the Antideficiency Act, as defined in 31 U.S.C. §1341(a)(1)(B).

110504 THRESHOLDS

- A. The Simplified Lease Agreement Procedures (SLAP) may only be used for lease award actions when the average annual base rent (unserviced rent) over the term of the lease, including all options, is \$150,000 or less. This threshold excludes the cost of operational services to support the facility, e.g. utilities and janitorial services. In addition to the lease payments, the contract officer must also determine the extent to which the special purpose build out is not too great to allow effective use of SLAP.
- B. Leases with unserviced annual rent above \$150,000, but no more than \$1 million, must be approved by the Under Secretary or designee.
- C. Leases with unserviced annual rent above \$1 million must be coordinated through ORP, an office within OALC, and be approved by the Secretary. Leases above the \$1 million threshold require Congressional authorization and notification
- D. The Administration executing the lease is responsible for obligating and maintaining lease agreements regardless of the cost of the lease.

110505 ACCOUNTING FOR A LEASE

- A. Accounting Classification Code (ACC) Assignment:
 1. All new and existing leases must have an ACC which will remain the same throughout the life of the lease term. Each individual lease is an asset and is tracked by OAEM within CAI.
 2. The local fiscal officer, budget officer or equivalent, of the leasing entity will submit lease ACC request forms to OAEM through the centralized VA Lease ACC mailbox (leaseac.codes@va.gov).
 3. OAEM will review lease ACC request forms and assign a unique ACC to each individual lease.

4. Once an ACC code is established, the local fiscal office will coordinate with Facilities Management (or the engineer) who has the responsibility to input the remaining asset data into the Capital Asset Inventory (CAI) database.

B. Recording Obligations

1. Lease obligations will be established on a fiscal year basis regardless of whether the lease period extends beyond the end of the fiscal year. Upon entering into a new lease, the obligation will be recorded from the lease commencement date through September 30 of the current fiscal year. Thereafter all lease obligations will be recorded to cover all payments due during the entity's fiscal year or cover all payments up to the lease expiration or termination date if the lease ends prior to the end of the fiscal year.
2. The obligation for leasehold improvement/build out costs (upfront changes to leased space) will use the same ACC as the general lease. Leasehold improvement/build out costs will be obligated in a full lump sum upon award of the lease agreement.
3. Leases with GSA under an OA may incur additional costs under a RWA. The additional RWA costs will be obligated every fiscal year using VA Form 1358. All RWAs will be forwarded to the FSC. FSC will review and load RWAs into the agreement repository.
4. The attributes required to be used in the VA standard lease transaction accounting are defined in Appendix C.

C. Payments

1. VA will make lease payments in arrears at the end of the month regardless of whether the lessor is a Federal or non-Federal entity.
2. VA may pay for leasehold improvements and any build out costs in one lump sum at the beginning of a lease or over the course of the lease term. Leasehold improvements may include improvements made to either a capital or operating lease. See 110506, Financial Reporting for more information on leasehold improvements.
3. VA will only commence monthly or annual lease payments after:
 - the completion of any build out and leasehold improvements,
 - receipt or documented confirmation of the approved certificate of occupancy, and
 - acceptance of the space.

4. OAEM will monitor lease obligations and contact stations regarding any anomalies, or transactions which fail to assign the ACC code to a transaction record.

D. Obligation Close-out

The term of a lease obligation may not reflect the term of the underlying lease. An obligation for a lease will be created and closed out on a fiscal year basis, e.g. a ten-year lease will have ten one year obligations with each obligation covering the projected payments for a given fiscal year.

1. OAEM will monitor leases, using an open obligation report from the financial management system of record and coordinate with the appropriate stations to identify open obligation records that should be closed as the leases are no longer active.
2. The local fiscal office will determine that all invoices for an obligation have been received and paid. This will require coordination with the other services such as Facilities Management.
3. The fiscal office will notify Facilities Management to update the CAI record to “closed/expired” status upon concluding all invoices for the obligation have been paid.
4. When a lease is closed, cancelled, or terminated, CAI must be promptly updated by Facilities Management OAEM will verify the status of leases in CAI and ensure that related ACCs are deactivated in the Department’s financial management system to ensure the ACC is no longer used.

110506 FINANCIAL REPORTING

- A. VA will comply with Statements of Federal Financial Accounting Standards (SFFAS) 5, Accounting for Liabilities of the Federal Government, and SFFAS 6 Accounting for Property, Plant, and Equipment, to record all leases in the financial statements.
- B. VA will report leases in the notes to the financial statements in a separate lease disclosure in accordance with OMB Circular A-136. The information included in this disclosure will be provided by OAEM.
- C. VA will disclose leases in the financial statements in one of two categories: capital or operating leases. Appendix B contains the criteria used to determine the category of the leases.

1. Capital leases: VA must disclose the cost of general property, plant and equipment acquired under capital leases for the amount recognized as a liability at its inception in accordance with SFFAS 5 and SFFAS 6. VA must also disclose the remaining liability associated with the lease, in addition to the asset value, and any amortization expense incurred to date. See VA Financial Policy, Volume VI, Chapter 18 – Capital Lease Liability.
 2. Operating leases: VA must disclose the annual expenses by major asset class. VA's lease footnote classifies the annual operating lease expenses by GSA OA Leases, Third Party Direct Leases, and Equipment.
- D. Leasehold improvements are enhancements to leased property paid by the lessee and can be part of a capital or an operating lease. If VA's total cost for the improvements meets or exceeds VA's capitalization threshold, the full cost is recorded as an asset once the asset is placed in service. The asset will be amortized over the remaining useful life of the lease, or the remaining estimated useful life of the improvements, whichever is less. The amortization period of a leasehold improvement is not to exceed 40 years. Leasehold improvements to an operating lease are only capitalized if the operating lease renewals are determined to be "reasonably assured"³ to cover the remaining capitalization period.
- E. Leasehold improvements to the leased property which do not meet VA's capitalization threshold are not recorded as assets. Leasehold improvements included in the monthly lease payment schedule will not be capitalized. Additional information can be found in VA Financial Policy Volume V, Chapter 9 - General Property, Plant, and Equipment.

1106 AUTHORITIES AND REFERENCES

Office of Management and Budget (OMB) Circular A-11, Part 7, Appendix A, "Scorekeeping Guidelines"

OMB Circular A-11, Part 7, Appendix B, "Budgetary Treatment of Lease-Purchases and Leases of Capital Assets"

OMB Circular A-136, *Financial Reporting Requirements*

Federal Acquisition Regulations

Executive Order 13327

³ To assume a moderately sufficient extent or degree of certainty that an action will come to fruition or pass, to include as designated in the contract renewal periods. (VA Financial Policy Volume V, Chapter 9 - General Property, Plant, and Equipment)

A National Strategy for Reducing the Federal Government’s Real Estate Footprint

Statement of Federal Financial Accounting Standards (SFFAS) 5, “Accounting for Liabilities of the Federal Government”

SFFAS 6, “Accounting for Property, Plant, and Equipment”

31 U.S.C. §1341, Limitations on Expending and Obligating Amounts (The Antideficiency Act)

38 U.S.C. §8103, Authority to construct and alter, and to acquire sites for, medical facilities

38 U.S.C. §8104 Congressional approval of certain medical facility acquisitions

38 U.S.C. §8109, Parking facilities

40 U.S.C. §585, Lease Agreements

41 U.S.C. §3903, Multiyear Contracts

GSA Federal Management Regulation (FMR) Bulletin C-2, Delegation of Lease Acquisition Authority

GSA Acquisition Manual (GSAM) Part 570, *Acquiring Leasehold Interests in Real Property*

GSA Leasing Desk Guide

Treasury Financial Manual Volume I, Part 2, Chapter 4700, *Agency Reporting Requirements for the Financial Report of the United States Government*

VA Office of Financial Policy Publications Library

VA OAEM Policies, Procedures and Regulations

1107 RESCISSIONS

None.

1108 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

VHA	<u>VHA CFO Accounting Policy (10A3A) (Outlook)</u>
VBA	<u>VAVBAWAS/CO/FINREP (Outlook)</u>
NCA	<u>NCA CAATS Finance Approvers (Outlook)</u>
All Others	<u>OFP Accounting Policy (Outlook)</u>

APPENDIX A: STANDARD FORM 81, REQUEST FOR SPACE

REQUEST FOR SPACE (See instructions on reverse)		1. DATE	2. AGENCY REQUEST NO.	3. LOCAL AGENCY CONTACT (Name)	PHONE NO.	4. AGENCY MARKET SURVEY REPRESENTATIVE (Name)	PHONE NO.
5. TO: GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE		6. FROM: AGENCY NO., STREET CITY & STATE ZIP CODE			7. FOR: AGENCY ADDRESS ZIP CODE BUREAU CODE		
8. TYPE OF REQUEST <input type="checkbox"/> INITIAL <input type="checkbox"/> CONTINUING REQUIREMENTS <input type="checkbox"/> EXPANSION <input type="checkbox"/> REDUCTION		9a. GEOGRAPHIC SERVICE AREA			9b. DELINEATED AREA		
10. TERM OF OCCUPANCY FROM (mo. & yr.) TO (mo. & yr.)		NO. OF YEARS FIRM TERM			11. TOTAL NO. OF PERSONNEL TO BE HOUSED		
12. SPACE REQUIREMENTS					13. SPECIAL REQUIREMENTS AND SERVICES (see attached) <input type="checkbox"/> ATTACHMENT(S)		
OFFICE	TYPE OF SPACE	NO. OF PERSONNEL	SQ. FT. PER PERSON	SQ. FT.	TOTALS	14. AGENCY CERTIFICATION I certify that this request is accurate and complete; is for the minimum amount of space required; is in compliance with FPMR 101-17, including all laws and executive orders governing the location of space; and that funds are available for payment of rent, moving expenses, telecommunication expenses, and any related reimbursable costs. SIGNATURE _____ PHONE NO. _____ DATE _____ PRINT NAME AND TITLE _____	
	a. PRIMARY OFFICE AREA						
	a. OFFICE SUPPORT AREA						
OFFICE SPACE SUBTOTAL							
STORAGE	b. ST 1	GENERAL STORAGE				15. FOR GSA USE ONLY (Action by Authorized GSA Official) GOV'T CONTROLLED SPACE TO BE ASSIGNED NO GOV'T SPACE AVAILABLE LEASING ACTION PLANNED UNIQUE AGENCY SPACE DETERMINED - SEE ATTACHED AGENCY AUTHORIZED TO ACQUIRE SPACE UNDER ITS OWN AUTHORITY COMMENTS ATTACHED	
	c. ST 2	WAREHOUSE STORAGE					
	d. STORAGE SUBTOTAL (Lines b, c)						
SPECIAL	e. SP 1	LABORATORY & CLINIC					
	f. SP 2	FOOD SERVICE AREA					
	g. SP 3	STRUCTURALLY CHANGED					
	h. SP 4	AUTOMATED DATA PROCESSING					
	i. SP 5	CONFERENCE & TRAINING					
	j. SP 6	LIGHT INDUSTRIAL					
	k. SP 7	QUARTERS/RESIDENTIAL HOUSING					
l. SPECIAL SUBTOTAL (Lines e-k)							
m.	TOTAL SPACE REQUIRED (Lines a, d, & l)					SIGNATURE OF AUTHORIZED GSA OFFICIAL _____ PRINT NAME AND TITLE _____	
n.	OPEN LAND (Total acres)					SPACE REQUEST NO. _____ DATE RECEIVED _____	
o. ST 2	INSIDE PARKING (No. of spaces)					NAME OF GSA REGIONAL CONTACT _____ PHONE NO. _____	
p.	OUTSIDE PARKING (No. of spaces)						
q.	TOTAL PARKING SPACES (Lines o, p)						

GENERAL SERVICES ADMINISTRATION

STANDARD FORM 81 (REV. 2-89)
Prescribed by GSA-FPMR (41 CFR) 101-17

INSTRUCTIONS

Submitting the SF-81

Submit the SF-81 in triplicate, accompanied by a completed SF-81A, Space Requirements Worksheet, Space Requirements Questionnaire and any additional documentation to fully support the agency's space needs. Failure to provide complete and accurate information will delay processing and may result in return of the SF-81 for correction, update and resubmission. The SF-81 **must** be submitted by the office which has authority to obligate funds to reimburse GSA for all applicable costs associated with the delivery of space. Agency field components which do not have delegated authority to obligate funds must coordinate submission and approval of the SF-81 with offices which have this authority. A GSA Form 2957, Reimbursable Work Authorization, should be submitted when applicable.

Item 1. Date form is prepared.

Item 2. Agency established request number

Item 3. Name and phone number of the local agency official who is knowledgeable of the request and will serve as the agency's point of contact for this project.

Item 4. Name and phone number of agency representative who will work with GSA if a market survey is conducted. This individual must have the authority to determine acceptability of the building and/or sites and their location.

Item 5. GSA regional office which has jurisdiction for geographical area where space is required.

Item 6. Name and address of organization making the request.

Item 7. Name of agency, and bureau code of the organization which will occupy the space (e.g., regional office, district office, field office) if different than information provided in block 6. City and state where the space is requested.

Item 8. Type of request. Initial: A request for new space that is not associated with an existing assignment. Expansion: A request for additional space associated with an existing assignment. Continuing requirements: A space action required for a lease renewal, succeeding lease, lease extension or move. Reduction: A space action that requires regional Real Estate Division effort to affect the partial or total termination of an assignment.

Item 9a. and 9b. Geographic/Delineated area that the agency will service. The geographic area (State, city, county, zip code, etc.) for which an agency/bureau has operational responsibility as well as the specific delineated area as identified and justified by the requesting agency. GSA review of the delineated area shall be limited to ensuring that the delineated area will provide adequate competition and the maximum use of existing Government controlled space (see Item 14 Agency Certification).

Item 10. Period of time the organization will use the space and the suggested number of years for a firm term period. This time period must be representative of the longest period for which the agency can commit. "Indefinite" and "ASAP" are not acceptable responses.

Item 11. Total number of personnel to occupy the requested space. ("Personnel" means the peak number of persons to be housed, regardless of how many workstations are provided for them. In addition to permanent employees of the agency, personnel includes temporaries, part-time, seasonal, contractual employees and budgeted vacancies.)

Item 12, line a. This line identifies the Office Space Subtotal. The Office Space Subtotal is determined by entering the amount of space required for the primary office area and adding this to the amount required for the office support area. "Primary Office Area" is the primary people occupied area in which an activity's normal operational functions are performed.

Item 12, lines b, c. Amount of general and warehouse storage space is required. (See items 12, line o for ST 2 inside parking).

Item 12, line d. Total amount of storage space required (Add lines b and c).

Item 12, lines e-k. Amount of special space required.

Item 12, line l. Total amount of special space required (Add lines e through k).

Item 12, line m. Total amount of Office, Storage and Special space required. (Add lines a, d, and l).

Item 12, line n. Total acres needed. For amounts less than 1 acre, 1 acre equals 43,560 square feet.

Item 12, line o, p. Agency's inside and outside parking requirement. Certification that the parking is necessary for the efficient operation of the agency mission is required. One parking space equals 300 square feet. Please indicate the number of spaces.

Item 12, line q. Total parking spaces required. (Add lines o and p).

Item 13. This item refers to the specific architectural, mechanical, electrical, structural, and other special requirements related to each of the types of space requested in Item 12. These include security; electrical; HVAC; floor loading; sound conditioning; fire and safety; and the need for after hours building access, utilities, and cleaning services. Such requirements must be fully defined by area, including computer rooms, laboratories, conference rooms, etc. These requirements must be specified in detail on the Space Requirements Questionnaire and SF-81A. Check box in Item 13 to indicate if this information is attached.

Agency Certification

Item 14. The certification must be signed by an authorized agency official.

Item 15. GSA will evaluate the request in terms of the space available in its inventory and determine the appropriate action. If GSA determines that space requested is unique agency space, GSA will take no action until the agency has concurred with that designation. GSA will assign a space request number which will be used to track the request until it is satisfied. Name and phone number of the GSA regional official who is knowledgeable of the request and will serve as GSA's point of contact.

APPENDIX B: CRITERIA FOR CAPITAL LEASE VERSUS OPERATING LEASE

In a lease transaction with VA as the lessee, VA should report a liability when one or more of the four specified capital lease criteria have been met. The amount to be recorded as a liability under a capital lease is the net present value of the rental and other minimum lease payments during the lease term excluding that portion of the payments representing executory cost to be paid by the lessor.

Capital Lease	Operating Lease
<ul style="list-style-type: none"> • The lease transfers ownership of the property to the lessee by the end of the lease term. • The lease contains an option to purchase the leased property at a bargain price. • The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property. • The present value of rental and other minimum lease payments, excluding that portion of the payments representing executory costs, equals or exceeds 90 percent of the fair value of the lease property. 	<ul style="list-style-type: none"> • Ownership of the asset remains with the lessor during the term of the lease and is not transferred to the Government at or shortly after the end of the lease term. • The lease does not contain a bargain-price purchase option. • The lease term does not exceed 75 percent of the estimated economic life of the asset. • The present value of the minimum lease payments over the life of the lease does not exceed 90 percent of the fair market value of the asset at the beginning of the lease term. • The asset is a general purpose asset rather than being for a special purpose of the Government and is not built to the unique specification of the Government as lessee. • There is a private market for the lease.

APPENDIX C: BUDGET OBJECT CODE ASSIGNMENTS FOR LEASES

The tables below represent the Budget Object Codes (BOC) for capital leases, operating leases, and leasehold improvements. Other operational costs incurred and paid to support and operate the facility, e.g. utilities, lawn care and janitorial services, should be charged to the BOC category for that functional expense. All leases will be posted to cost center 8511, Plant Operations and Leases.

Lease purchase contracts under a capital lease will be charged to the proper 32XX series as presented below:

<i>Acquired under capital lease</i>	
3222	Land, Building and Other Structures Acquired Under Lease Purchase Contracts - Capitalized. Includes principal payments under capital leases. See Budget Object Code 3224 for non-capitalized leases.
3224	Buildings Under Capital Lease - Non-Capitalized. Buildings and other structures acquired under lease purchase contracts –non-capitalized. See BOC 3222 for capitalized leases.

Operating leases with GSA or non-GSA lessors will be charged to the proper BOCs as presented below:

<i>Lease with private entities</i>	
2328	Real Property Rental – Rental Agents. Charges for VA property rented from commercial agents who will issue a 1099 to landlords they represent. (Use BOC 2329 for rent from Owner Agents) (Prior to FY 2018 was listed as BOC 2332)
2329	Real Property Rental Owner Agents– Commercial. Charges for VA property rented from owner agents. (Use BOC 2328 for rent from Rental Agents.)
<i>Lease with GSA</i>	
2311	Rental Property Rental – GSA. Charges for VA property rented from GSA. (Prior to FY2018 was listed as BOC 2331)
2532	Special services provided by GSA services. These RWA charges represent additional fees for services above the basic Standard Level User Charges GSA levies agencies to rent space. They include extra security protection, interior and exterior cleaning, alterations or modifications to the existing leased facility, and utility services provided over and above the normal tour of duty charges.

<i>Lease with Federal Agency – not GSA</i>	
2533	Rental Property – Other Federal Agency. Charges for VA property rented from a Federal agency other than GSA. (Prior to FY 2018 was listed as BOC 2332)

Leasehold improvement costs will be charged to the proper 32XX series BOC as presented below.

<i>Leasehold Improvements</i>	
3230	Leasehold Improvements - Capitalized. Includes improvements to existing leased structures (additions or betterments) and improvements to building service equipment when the capitalization criteria are met. Also includes property leased through GSA. See BOC 3231 for non-capitalized leases.
3231	Leasehold Improvements - Non-Capitalized. Includes improvements to existing leased structures (additions or betterments) and improvements to building service equipment when the capitalization criteria are not met. Also includes property leased through GSA. See BOC 3230 for capitalized leases.