

# Lease Q & A: Best Practices for Lease Contract Submissions

Presented by: Matthew Bennett, Nicole Maguire and Shelby Foster

Moderated by: Lindsay Carswell and Peter Vander Veer



New York State Comptroller  
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# Welcome to Lease Q & A

Our presentation will begin at the top of the hour

## Housekeeping Notes

- ❖ Attendees are automatically muted for audio quality.
- ❖ Please direct technical questions to [outreach@osc.ny.gov](mailto:outreach@osc.ny.gov).
- ❖ This class is being recorded for future on-demand viewing.
- ❖ Please complete the post-conference survey you receive to help us improve your OOO Fall Conference experience.

# Agenda

- ❖ Required documents for new leases
- ❖ Required documents for amendments
- ❖ Required documents for lease buildouts
- ❖ Purchase order use and requirements
- ❖ Funds reservation policy
- ❖ Cost and site justifications
- ❖ Understanding a cost breakdown
- ❖ Understanding transaction value and intrinsic value
- ❖ Additional contract funds needed
- ❖ Cover letter overview



What documents should be included  
for a new lease transaction?

# New Lease Documents

## Contract Documents

- ❖ Cover Letter / Memo
- ❖ STS / AC-340-S (for paper submissions only)
- ❖ B-1184 Budget Approval
- ❖ Contract document signed by all parties (OCR format)
- ❖ Evidence of AG approval
- ❖ Justification for need, cost and site
- ❖ Cost breakdown

## Vendor Responsibility Documents

- ❖ Profile
- ❖ Questionnaire (if applicable)
- ❖ Workers' Compensation Insurance Certificate
- ❖ Disability Insurance Certificate
- ❖ Exemption Certificates (if applicable)

What documents should be  
included for each type of  
amendment?

# Amendment / Modification

- ❖ Cover letter / Memo
- ❖ STS / AC-340-S (for paper submissions only)
- ❖ Amendment document signed by all parties (OCR format)
- ❖ Evidence of AG Approval
- ❖ Justification for need, cost and site
- ❖ Cost breakdown
- ❖ Miscellaneous supporting documents



# Holdover

- ❖ Cover letter / Memo
- ❖ STS / AC-340-S (for paper submissions only)
- ❖ Cost breakdown
- ❖ Holdover letter (if available)



# Closeout / Drawdown

- ❖ Cover letter / Memo
- ❖ STS / AC-340-S (for paper submissions only)



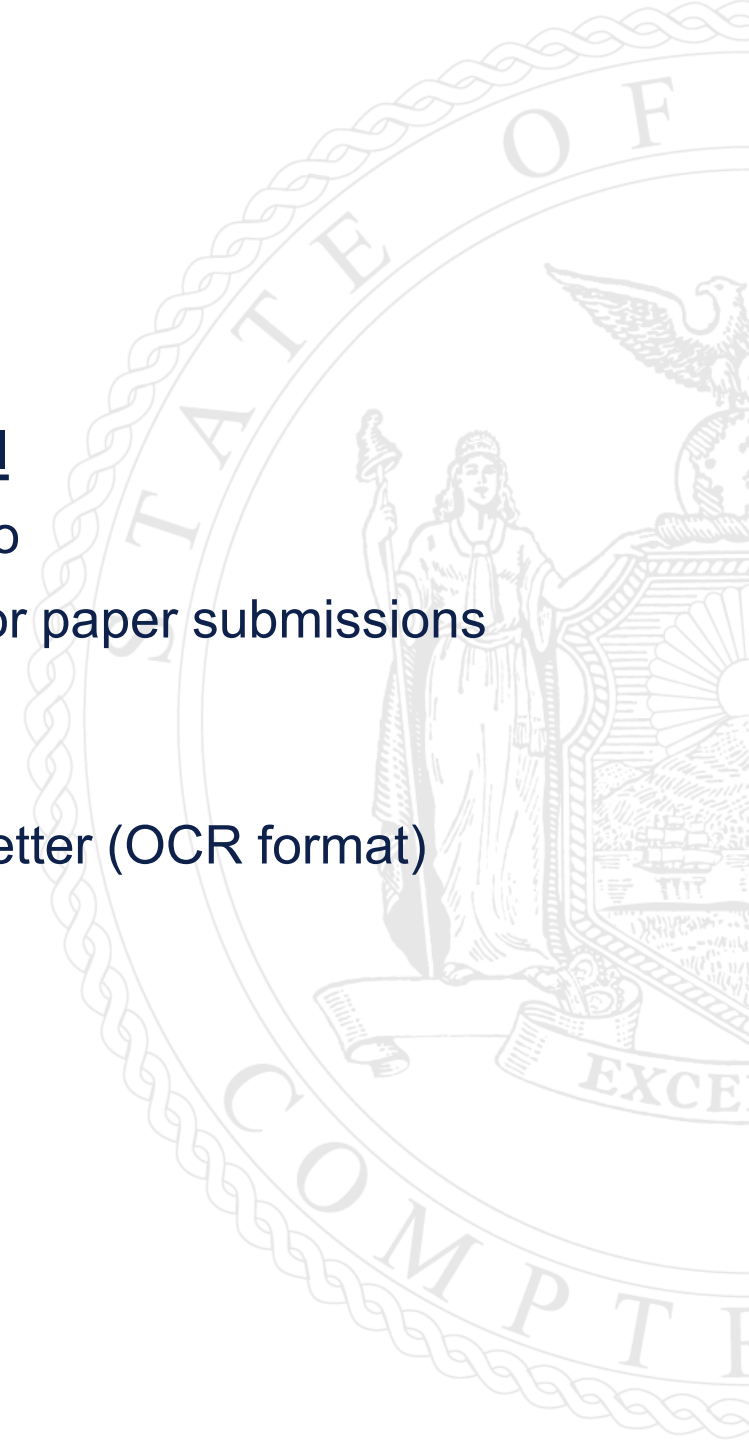
# Renewal

## Negotiated-Rate Renewal

- ❖ Cover letter / Memo
- ❖ STS / AC-340-S (for paper submissions only)
- ❖ Amendment document signed by all parties (OCR format)
- ❖ Evidence of AG approval
- ❖ Cost breakdown
- ❖ Cost justification

## Fixed-Rate Renewal

- ❖ Cover letter / Memo
- ❖ STS / AC-340-S (for paper submissions only)
- ❖ Cost breakdown
- ❖ Signed Renewal Letter (OCR format)



# Assignment

- ❖ Two SFS transactions
  - Closeout original agreement
  - Establish new agreement
- ❖ Cover letter / Memo
- ❖ STS / AC-340-S (for paper submissions only)
- ❖ Assignment agreement with effective date, signed by all parties (OCR format)
- ❖ Vendor Responsibility documentation



What is a lease buildout and what documents should be included?

# Buildouts

## Landlord solely responsible

- ❖ Buildout summary
- ❖ Whether possession/rent commencement is determined by substantial completion of work
- ❖ Estimated substantial completion date

## Tenant solely/partially responsible

- ❖ Buildout summary
- ❖ Cost estimate
- ❖ Fair and reasonable letter
- ❖ Whether possession/rent commencement is determined by substantial completion of work
- ❖ Estimated substantial completion date

What is a lease purchase order  
and when is it appropriate to  
use one?

# Lease Purchase Orders

- ❖ One-time costs paid to the landlord for expenses related to the lease but not part of the original contract amount.
- ❖ Examples of costs not considered in original lease:
  - New carpet
  - Reconfiguration
  - Tenant alteration requests

What is the funds reservation policy?

# Funds Reservation Policy

Funds Reservation means to set aside or reserve all or a portion of an appropriation for payment of future expenses on a contract. Appropriations are reserved to ensure their availability for payment of specified expenses. Funds Reservation is required through the end of the current fiscal year.

- ❖ State Fiscal Year ends March 31
- ❖ SUNY/CUNY Fiscal Year ends June 30
- ❖ Federal Fiscal Year ends September 30

# Calculating Funds Reservation

| Lease Term: 1/1/2026 – 12/31/2035<br>(Current Fiscal Year End 03/31/2027) |                     |                      |                                 |
|---------------------------------------------------------------------------|---------------------|----------------------|---------------------------------|
| <u>Lease Items</u>                                                        | <u>Monthly Cost</u> | <u>10-year Total</u> | <u>Funds Reservation Amount</u> |
| Rent                                                                      | \$2,000             | \$240,000            | \$30,000                        |
| Electric                                                                  | \$900               | \$108,000            | \$13,500                        |
| Operating Expenses                                                        | \$1,000             | \$120,000            | \$15,000                        |
| Total Cost                                                                | \$3,900             | \$468,000            | \$58,500                        |

What should be included with the  
cost justification and the site  
selection process?

# Cost and Site Justification

## Cost Justification

- ❖ Must show that the cost of the lease is fair, based on one of the following:
  - Other comparable properties, with examples
  - Fair market rental analysis
  - Rate sheet
- ❖ Must include all lease costs in the analysis, not just base rent

## Site Justification

- ❖ Must justify the reasons for choosing the property
- ❖ Explain why this space is the best fit for the agency's or program area's needs

What is included in a cost breakdown?

# Cost Breakdown Example

| Renewal Lease Term: 1/1/2026 – 12/31/2030 |                             |                          |                    |
|-------------------------------------------|-----------------------------|--------------------------|--------------------|
| <u>Expense Category</u>                   | <u>Monthly Dollar Value</u> | <u>Payment Frequency</u> | <u>Total Value</u> |
| Rent                                      | \$1,600                     | Monthly                  | \$96,000           |
| Electric                                  | \$900                       | Monthly                  | \$54,000           |
| Tax Escalations                           | \$800                       | Monthly                  | \$48,000           |
| Operating Escalations                     | \$1,250                     | Monthly                  | \$75,000           |
|                                           |                             |                          |                    |
| Subtotal                                  |                             |                          | \$273,000          |
| Remaining Contract Value                  |                             |                          | (\$3,000)          |
| Transaction Value                         |                             |                          | \$270,000          |

What costs are included in the transaction value?

# Transaction Value Costs

Any expenses paid directly to the landlord.

- ❖ Rent
- ❖ Taxes
- ❖ Operating expenses
- ❖ Janitorial



# Intrinsic Value Costs

Any expenses required for the lease but not paid to the landlord.

- ❖ Electric paid directly to utility company
- ❖ Phone charges paid directly to phone company
- ❖ Janitorial services paid directly to janitorial company
- ❖ Security services paid to security company



# Intrinsic Value Calculation

| Expense                                     | Monthly Cost | Annual Cost     |
|---------------------------------------------|--------------|-----------------|
| <b><u>Paid on-contract</u></b>              |              |                 |
| Rent                                        | \$2,000      | \$24,000        |
| Taxes                                       | \$200        | \$2,400         |
| <b>Contract Value</b>                       |              | <b>\$26,400</b> |
|                                             |              |                 |
| <b><u>Paid off-contract (Intrinsic)</u></b> |              |                 |
| Electricity                                 | \$1,200      | \$14,400        |
| <b>Total Intrinsic Value</b>                |              | <b>\$40,800</b> |
|                                             |              |                 |
| <b>Transaction Value</b>                    |              | <b>\$26,400</b> |

# Holdover Value Calculation

| Expense                                     | Monthly Cost | Annual Cost     |
|---------------------------------------------|--------------|-----------------|
| <b><u>Paid on-contract</u></b>              |              |                 |
| Rent                                        | \$2,000      | \$24,000        |
| Taxes                                       | \$200        | \$2,400         |
| <b>Contract Value</b>                       |              | <b>\$26,400</b> |
|                                             |              |                 |
| <b><u>Paid off-contract (Intrinsic)</u></b> |              |                 |
| Electricity                                 | \$1,200      | \$14,400        |
| <b>Total Intrinsic Value</b>                |              | <b>\$40,800</b> |
| Remaining Contract Funds                    | \$3,000      | (-\$3,000)      |
| <b>Transaction Value</b>                    |              | <b>\$23,400</b> |

How do we address a shortfall in  
funds?

# Changes in Contract Value

- ❖ Explain why
  - Example: Tax escalations were higher than expected
- ❖ Provide documentation
  - Example: Tax bills or invoices from landlord
- ❖ Cost breakdown
  - Example: Show how the transaction value is arrived at and what the intrinsic value is



What should I include in my cover  
letter to OSC?

# Cover Letter/Memo Elements

- ❖ Lease number
- ❖ Prior lease number (if applicable)
- ❖ Property address
- ❖ Transaction description
- ❖ Agency contact information
- ❖ Description of unusual circumstances

Questions?

# Contact Us

## Team Lead

|                    |                |                      |
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|--------------------|----------------|----------------------|

## Auditors

|                   |                |                       |
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Thank you!



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