

June 2004 Newsletter



Special points of interest:

- **Excerpts From Governor Fineman's Comments To Govt. Affairs Committee**
- **How To Negotiate The Best Lease Terms And Rental Rates For Your Post Office!**
- New Phone Directory Eastern Facilities Office
- Bob Wilkes answers the most frequently asked questions by Lessors. Have a question: E-mail Bob at bob@parsell.net

Inside this issue:

"The Hill"	2
Excerpts From Governor Fineman's Comments To Govt. Affairs Committee	3
New Phone Directory Eastern Facilities Office	5
How To Negotiate The Best Lease Terms And Rental Rates For Your Post Office!	6
Question & Answers w/ Bob Wilkes	7
The "Eye"	8

Excerpts From Governor Fineman's Comments To Govt. Affairs Committee

STATEMENT OF DAVID FINEMAN, CHAIRMAN UNITED STATES POSTAL SERVICE BOARD OF GOVERNORS AT THE JOINT HEARING OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM AND THE SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS MARCH 23, 2004

These are excerpts from Mr. Fineman's statement concerning USPS efforts to reduce expenses and that relationship to **facility closings**:

As you know, the Postal Service Board of Governors directs the exercise of the power of the Postal Service. We establish strategic policies, basic objectives, and long-range goals for the Postal Service. We take these responsibilities very seriously, and understand the implications of our efforts for the American



people and economy...

By any measure, 2003 was a very good year...

We closed the year with a net income of \$3.9 billion, reflecting both our success in managing costs and improving efficiency and the positive effects of the Civil Service Retirement System funding reform legislation

For the first time since the Postal Service was reorganized 34 years ago, First-Class Mail volume was less than 50 percent of

total mail volume in 2003. Total mail volume was 202 billion pieces, with First-Class Mail registering only 99 billion pieces.

As a result, we are challenged to find new expense reductions and revenue growth to compensate for the decline in this historic funding source.

Essentially, the volume of First-Class Mail and the number of delivery points are moving in opposite directions. Since 2001, while First-Class Mail volume decreased, our delivery network has expanded by 3.7 million new delivery points. We absorbed these deliveries through productivity increases rather than hiring the equivalent of 4,000 new carriers each year, purchasing new vehicles, and adding facilities space.

We must find new ways to give postal management

How To Negotiate The Best Lease Terms And Rental Rates For Your Post Office!

If you receive a courtesy lease in the mail or a phone call from the Real Estate Specialist, it is a safe bet that the rental rate being offered is lower than you would like to see it.

Comparable rentals is the preferred method for establishing rental rates for most

types of commercial use properties. This is also referred to as the Market Approach To Value.

If your post office is in a location with other commercial properties you can get comparable rental rates and terms from those properties and

develop a supportable rent. However, if your post office is in a small town with little to no comparable rents, other post office rents in the State or area are your best bet. As a matter of fact, as a former Real Estate Appraiser, it is common practice to use like properties of similar use and

From The "Hill"

108th CONGRESS

S.1285

Postal Accountability and Enhancement Act (Introduced in Senate)

SEC. 304. CLOSURE AND CONSOLIDATION OF FACILITIES.

(a) IN GENERAL- Subject to subsection (b), the Postal Service shall--

(1) close all postal facilities recommended by the Commission in such report transmitted to the Congress by the President under section 303(l);

(2) consolidate all postal facilities recommended for consolidation by the Commission in such report;

(3) initiate all such closures and consolidations no later than 1 year after the date on which the President transmits a report to Congress under section 303(l) containing the recommendations for such closures or consolidations; and

(4) complete all such closures and consolidations no later than the end of the 2-year period beginning on the date on which the President transmits the report under section 303(l) containing the recommendations for such closures and consolidations.

(b) CONGRESSIONAL DISAPPROVAL-

(1) IN GENERAL- The Postal Service may not carry out any closure or consolidation recommended by the Commission in a report transmitted from the President under section 303(l) if a joint resolution is enacted, in accordance with section 305, disapproving such recommendations of the Commission before the earlier of--

(A) the end of the 45-day period



beginning on the date on which the President transmits such report; or (B) the adjournment of the Congress sine die for the session during which such report is transmitted.

(2) DAYS OF SESSION- For purposes of paragraph (1) and subsections (a) and (c) of section 305, the days on which either House of Congress is not in session because of an adjournment of more than 3 days to a day certain shall be excluded in the computation of a period.

SEC. 305. CONGRESSIONAL CONSIDERATION OF COMMISSION REPORT.

(a) TERMS OF THE RESOLUTION- For purposes of this title, the term 'joint resolution' means only a joint resolution which is introduced within the 10-day period beginning on the date on which the President transmits the report to the Congress under section 303(l), and--

(1) which does not have a preamble;

(2) the matter after the resolving clause of which is as follows: 'That Congress disapproves the recommendations of the Postal Facility Closure and Consolidation Commission as submitted by the President on -----', the blank space being filled in with the appropriate date; and

(3) the title of which is as follows: 'Joint resolution disapproving the recommendations of the Postal Facility Closure and Consolidation Commission.'

(b) REFERRAL- A resolution described in subsection (a) that is introduced in the House of Representatives shall be referred to the Committee on Government Reform of the House of Representatives. A resolution described in subsection (a) introduced in the Senate shall be referred to the Committee on Governmental Affairs of the Senate.

(c) DISCHARGE- If the committee to which a resolution described in subsection (a) is referred has not reported such resolution (or an identical resolution) by the end of the 20-day period beginning on the date on which the President transmits the report to the Congress under section 303(l), such committee shall be, at the end of such period, discharged from further consideration of such resolution, and such resolution shall be placed on the appropriate calendar of the House involved.

(d) CONSIDERATION-

(1) IN GENERAL- On or after the third day after the date on which the committee to which such a resolution is referred has reported, or has been discharged (under subsection (c)) from further consideration of, such a resolution, it is in order (even though a previous motion to the same effect has been disagreed to) for any Member of the respective House to move to proceed to the consideration of the resolution. A Member may make the motion only on the day after the calendar day on which the Member announces to the House concerned the Member's intention to make the mo-

Excerpts Fineman comments, cont.

Cont. on pg. 3, Fineman cont. form page 1
the modern business tools it requires to keep the Postal Service viable in the 21st century...

The Commission presented its findings in July. It offered recommendations for change in several key areas: the Postal Service business model, private-sector partnerships, technology and workforce...

We agree with the goals of these five principles - Best Practices, Transparency, Flexibility, Accountability, and Self-Financing. In many ways, they mirror our Transformation Plan for the Postal Service, which is our blueprint for the future...

We have asked management to focus on three key strategies as part of that effort: improving operational efficiency, adding value for our customers, and enhancing our performance-based culture.

In February of 2001, when the Chairman of the Board's Audit and Finance Committee reported that the trends in Postal Service fi-

nances were "alarming and unacceptable...", we quickly moved to re-examine how this organization was conducting business on all levels. **Management was directed to temporarily freeze all new facility commitments**, reduce planned new facility commitments for the year by \$1 billion, and limit future capital commitments to levels that could be funded from cash flow.

In the last three years capital commitments have been limited to those projects that have an **acceptable return on investment**, are required by law, or have been necessary to insure customer and employee safety. New commitments, which had averaged \$3.5 billion per year in the five years leading up the temporary freeze, have averaged \$1.6 billion per year in the three years since.

We are also enhancing existing products and services - and expanding access and convenience to postal services...We will be rolling out self-service kiosks called Automated Postal Centers this year as well. These kiosks will let customers buy stamps and postal products just

as ATMs enable customers to conduct self-service banking. The goal of these efforts is to promote ease-of-use for our customers...

There is another area where the Board has asked management to **take a long, hard look at current practices - the vast network of facilities** and transportation infrastructure that has developed over the years.

The opportunity to consolidate operations and streamline our network represents a significant cost reduction opportunity. A leaner plant network would drive transportation and facility costs down. That benefits everyone.

Along the same lines, the Postal Service must be allowed room to implement infrastructure changes including - but not limited to - **changes in the number and location of post offices** and processing plants, and changes in our transportation networks. That simply makes good business sense...

How To Negotiate The Best Lease Terms And Rental Rates For Your Post Office!, cont.

Cont. on pg. 3 Negotiate Negotiate from pg. 1
location when establishing a value, especially when the facility is a special purpose building.

Some Real Estate Specialists say "we do not use post office comparables," while others contend that "only other post offices are comparable". USPS has "comparable post office rents" built into their FMS (Facilities Management System) programing. In some instances, the Postal Service has hired an outside firm to prepare a rental rate evaluation report and this is what they rely on when trying to convince you to

reduce your rent. These reports are not always accurate, nor do they always reflect what your post office should rent for. Example:

- A client's post office is in a suburb of a large metro area. There are three leased post offices within the same Town limits, less than 2 miles apart, two of which the leases were renegotiated in 2003. One for \$16 sq. ft. , one at \$18 sq. ft. the other is my clients. The Real Estate Specialist, the same individual that negotiated the other two leases, hires an outside firm to establish a sq. ft.

rental value. I find this not only a waste of money, but an attempt to avoid "good faith" negotiations, especially when the report indicates a value of \$8.50 sq. ft., half of what the Real Estate Specialist negotiated the other two leases for. The outside firm uses rental comps four miles away, located in a different town, in a strip-center, and leased by a church, Upon further investigation, our investigation discovered other comparable rents two blocks from the post office at \$18 sq. ft. The report

From The "Hill"



tion, except that, in the case of the House of Representatives, the motion may be made without such prior announcement if the motion is made by direction of the committee to which the resolution was referred. All points of order against the resolution (and against consideration of the resolution) are waived. The motion is highly privileged in the House of Representatives and is privileged in the Senate and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or to a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the resolution is agreed to, the respective House shall immediately proceed to consideration of the joint resolution without intervening motion, order, or other business, and the resolution shall remain the unfinished business of the respective House until disposed of.

(2) **DEBATE**- Debate on the resolution, and on all debatable motions and appeals in connection therewith, shall be limited to not more than 2 hours, which shall be divided equally between those favoring and those opposing the resolution. An amendment to the resolution is not in order. A motion further to limit debate is in order and not debatable. A motion to postpone, or a motion to proceed to the consideration of other business, or a motion to recommit the resolution is not in order. A motion to reconsider the vote by which the resolution is agreed to or disagreed to is not in order.

(3) **VOTE ON FINAL PASSAGE**- Immediately following the conclusion of the debate on a resolution described in subsection (a) and a single quorum call at the conclusion of the debate if re-

quested in accordance with the rules of the appropriate House, the vote on final passage of the resolution shall occur.

(4) **APPEALS**- Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a resolution described in subsection (a) shall be decided without debate.

(e) **CONSIDERATION BY OTHER HOUSE**-

(1) **IN GENERAL**- If, before the passage by one House of a resolution of that House described in subsection (a), that House receives from the other House a resolution described in subsection (a), then the following procedures shall apply:

(A) The resolution of the other House shall not be referred to a committee and may not be considered in the House receiving it except in the case of final passage as provided in subparagraph (B)(ii).

(B) With respect to a resolution described in subsection (a) of the House receiving the resolution--

(i) the procedure in that House shall be the same as if no resolution had been received from the other House; but

(ii) the vote on final passage shall be on the resolution of the other House.

(2) **DISPOSITION OF A RESOLUTION**- Upon disposition of the resolution received from the other House, it shall no longer be in order to consider the resolution that originated in the receiving House.

(f) **RULES OF THE SENATE AND HOUSE**- This section is enacted by Congress--

(1) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such it is deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a resolution described in subsection (a), and it supersedes other rules only to the extent that it is inconsistent with such rules; and

(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner, and to the same extent as in the case of any other rule of that House.

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How To Negotiate The Best Lease Terms And Rental Rates For Your Post Office!, cont.

Cont. pg. 7, see Negotiate Negotiate, from pg. 3 contained a disqualifying statement "limited/special instructions", which means they were instructed by the Postal Service on how to do the report.

Whatever situation you are faced with, the most important thing to remember is "**fair & justifiable**". My example here is the exact opposite from the Postal Service. However, as long as we deal fairly, not asking for a rent that isn't justifiable, we should have USPS as a tenant for as long as we want them.

Knowing the Market Rental Rate, even having the supporting data, doesn't necessarily mean it will be easy dealing with the Postal Service. It can be challenging and often frustrating when logic has no place in the process.

This is true for all of us, those experienced in lease negotiations with the Postal Service, as well as those dealing

with a post office lease for the first time.

The Postal Lessor web site, www.postallessor.com has a complete listing by State of all leased facilities and their rents. Here you can organize your search criteria to include, State, size of facility, County, annual rental rates, etc. Having supporting documentation is the foundation for any good negotiation.

Experience in leasing and knowledge of the workings of the Postal Service are invaluable.

The message most Lessors get today when dealing with a Postal Service Real Estate Specialist is "**If you don't accept our terms, we will move out**". This frightens many people into accepting a rental amount less than Market value.

There isn't enough space here to list USPS relocation requirements and

qualifications, however here are a few:

- **Safety**-the facility is a safety hazardous to employees and or customers.
- **Growth**-the community is growing at a pace that the facility can't support it and replacement is necessary. Often, this situation may add and additional office instead.
- **Maintenance Issues**-the Lessor has maintenance and has ignored repeated request by USPS to make repairs. These frequently turn into safety issues.
- **Unjustifiable Rental Rate**-this could result in a replacement project when the asking rent is at or over what a New Lease Construction project could be built for. Keep in mind, new construction projects range from approx. \$14 - \$22 per Sq. Ft.

Bottom-Line, if your asking rent is justifiable, it will be difficult to justify moving out.

Frequently Asked Questions

By: Bob Wilkes USPS Real Estate Contracting Officer, Retired

Q: What types of clauses in a new lease agreement does the Postal service try to avoid?

A: (1) Rents tied to an index.

(2) Improvements by the Lessor only.

(3) Hold harmless and other indemnity clauses.

(4) Operating expenses and common area maintenance clauses (They may have to agree to use these types of clauses in office building and shopping center leases).

Q: Can I withdraw a proposal made to the Postal Service?

A: Proposals may be withdrawn at any

time up to award whether discussions are held or not. Therefore, any need for a "proposal guarantee" or the previously used bid bond appears doubtful. In construction contracts, award is made only after notice of intent to award, followed by receipt of payment and performance bonds. Postal Service proposal forms contain language binding the Offeror to its proposal for a period of 60 days (or more).

However in light of a clause in the Procurement Manuel, that language is probably not enforceable.

Q: Is an appraisal the best way to determine a new rental rate for my post office?

A: (1) Yes, if you are in an area with

sufficient comparable rental data.

- (2) No, if you are in a smaller rural community with little available rent comparables. Most post offices are located in smaller towns and have a wide range of rental rates. This presents the appraiser with the problem of determining why the rates vary.

If USPS comes to you with a new lease, backed up with an appraisal, check it carefully. Often times the instructions to the appraiser make a difference in the rental rate. Also check and verify the comparables used. Make sure they are similar in use, in the area, good condition, etc. **DON'T ASSUME THE APPRAISER'S VALUE IS CORRECT!**

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The "Eye"

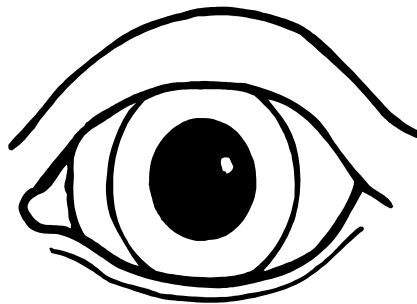
Here's your new lease. Sign it or we might MOVE OUT.

Is this the message you hear? The Eye has spoken with several unhappy Lessors, afraid the Postal Service will move if the lease terms they are presented with, aren't accepted.

This question was posed at the Las Vegas conference to Mr. Arthur Strange, Manager of Real Estate for the Postal Service. Mr. Strange said **"it is wrong for any Real Estate Specialist to threaten or insinuate the Postal Service will move if the lease isn't signed."** However, Real Estate Specialists are encouraged to get the best rent possible for the Postal Service.

30 Day Cancellation Clause, Is It Mandatory?

Many Lessors have been told this is a



mandatory clause that must be in the lease. This just isn't true. There are no rules or regulations requiring the Real Estate Specialist to include a termination clause. If your lease has a five year term with a 30 or 90 day cancellation clause, then you have a month to month lease and the Postal Service has a five-year lease.

This clause was or is used by USPS when they plan on relocating within the five year period, but aren't sure when. However, with the way things have

changed, if a lease has a termination clause, this doesn't necessarily mean USPS has plans to relocate. It could be just an over aggressive Real Estate Specialist.

This clause negatively effects:

- The value
- The finance ability
- The value/sale price

ParSell can help with eliminating this clause.

Do you have an opinion? Do you agree or disagree?

Submit your comments to

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