

# March 2005 Newsletter



## Special points of interest:

- **2004 FINANCIALLY STRONG FOR USPS**
- **NEW USPS POLICY FOR LESSOR MAINTENANCE ISSUES**
- Bob Wilkes answers the most frequently asked questions by Lessors. Have a question: E-mail Bob at bob@parsell.net
- What's New on Capital Hill. USPS Relocation.

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## 2004 FINANCIALLY STRONG FOR USPS

FOR IMMEDIATE RE-LEASE  
Contact: Media Relations  
202-268-2155  
December 7, 2004  
News Release No. 04-088  
www.usps.com

### USPS REPORTS STRONG '04; ISSUES CAUTIONARY NOTE

Washington - The U.S. Postal Service today reported it achieved a surplus for a second consecutive fiscal year, but the news was tempered by comments that marketplace forces are changing the character of the mail and could threaten postal financial viability in future years.

For the fiscal year that ended September 30, 2004, the Postal Service had a net income of \$3.1 billion on

revenues of \$69 billion.

"We achieved our business goals in 2004 to improve service, reduce costs and continue to build our business," said Postmaster General John E. Potter at the Postal Service's Board of Governors year-end meeting.

Expenses were \$900 million better than forecast and debt was reduced to \$1.8 billion, down from a high of \$11 billion two years ago.

"These results," said Potter, "underscore our promise to the American people to keep rates stable until 2006."

In his presentation to the Board, Chief Financial Officer Richard J. Strasser, Jr., said total revenue

reached \$69 billion, an increase of \$265 million over last year. First-Class Mail brought in revenue of \$36.4 billion, Standard Mail \$18.1 billion and other products and services \$14.5 billion.

Total mail volume rose nearly 4 billion pieces to 206 billion, mostly in Standard Mail, First-Class Mail declined by 1.1 billion pieces, for a third straight year of decline.

The number of nationwide delivery addresses continued to grow rising 1.8 million to 142.3 million; expenses totaled \$65.9 billion including \$52 billion for personnel, \$5 billion for transportation and \$9 billion for supplies, services, depreciation and other costs.

Cont. pg. 3

## NEW USPS POLICY FOR LESSOR MAINTENANCE ISSUES

If your lease calls for Lessor maintenance, be it for the roof only or heating and air conditioning, or the parking lot and there is a problem, USPS has a new way of letting you know.

Previously, the Postmaster

would contact the District Administration Office (ASO), who in turn would contact the Facility Service office (FSO) and the appropriate Real Estate Specialist.

Now, with the elimination

of the District Administration Offices (ASO) this function has been transferred to the Facilities Services Offices (FSO). USPS has established an 800 number for all Postmasters to contact if there is a problem. Cont. pg. 3

## From The "Hill"

### Post Office Community Partnership Act of 2005 (Introduced in House of Representatives)

HR 1006 IH

109th CONGRESS

1st Session

**H. R. 1006**

To amend title 39, United States Code, to provide that the procedures relating to the closing or consolidation of a post office be extended to the relocation or construction of a post office, and for other purposes.

#### IN THE HOUSE OF REPRESENTATIVES

**March 1, 2005**

Mr. BLUMENAUER (for himself, Mr. MANZULLO, Mr. HOLDEN, Mr. MURTHA, Ms. WOOLSEY, Mrs. MCCARTHY, Mr. MORAN of Virginia, Mr. FRANK of Massachusetts, Mr. SERRANO, Mr. MARKEY, Mr. BERMAN, Mr. OWENS, Mrs. KELLY, Ms. CARSON, Mr. GEORGE MILLER of California, Mrs. LOWEY, Mr. MICHAUD, Mr. EVANS, Mr. CARDOZA, Mr. BAIRD, Mr. GOODE, Mr. RANGEL, Ms. ESHOO, Mr. ENGLISH of Pennsylvania, Mr. ALLEN, Mr. SCHIFF, Mr. KUCINICH, Ms. BALDWIN, Mr. MCNULTY, Mr. UDALL of New Mexico, Ms. WATSON, Mr. FARR, Mr. CONYERS, Mr. SPRATT, Mr. CUMMINGS, and Mr. SHIMKUS) introduced the following bill; which was referred to the Committee on Government Reform

#### A BILL

To amend title 39, United States Code, to provide that the procedures relating to the closing or consolidation of a post office be extended to the relocation or construction of a post office, and for other purposes.



*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the 'Post Office Community Partnership Act of 2005'.

#### SEC. 2. PROCEDURES RELATING TO THE PROPOSED CLOSING, CONSOLIDATION, RELOCATION, OR CONSTRUCTION OF A POST OFFICE.

(a) Applicability- Section 404 (b) of title 39, United States Code, is amended by redesignating paragraphs (2) through (5) as paragraphs (3) through (6), respectively, by striking '(b)(1)' and inserting '(2)', and by inserting before paragraph (2) (as so redesignated) the following:

'(b)(1) This subsection shall apply in the case of any proposed closing, consolidation, relocation, or construction of a post office.'

(b) Advance Notice- Paragraph (2) of such section 404(b) (as so redesignated) is amended to read as follows:

'(2)(A) The Postal Service , before making a determination

under subsection (a)(3) as to the necessity for a proposed action described in paragraph (1), shall, in order to ensure that local government officials and the persons who are (or would be) served by the post office involved will have an opportunity to present their views, provide adequate notice of its intention to take such action with respect to such post office at least 60 days before--

'(i) in the case of the proposed construction of a post office, the date of the determination under subsection (a) (3); or

'(ii) in the case of an action other than the proposed construction of a post office, the proposed date of such action.

'(B) The requirements of this paragraph shall not be considered met unless the notice-

'(i) has, by the deadline specified in subparagraph (A)-'(I) been hand delivered or delivered by mail to local government officials and the other persons required under subparagraph (A); and

'(II) been published once a week for at least 4 weeks in 1 or more newspapers regularly issued and of general circulation within the ZIP code areas which are (or would be) served by the post office involved; and

'(ii) includes a description of the action proposed to be taken with respect to the post office involved, a summary of the reasons for the proposed action, and the date on which such action is proposed to be taken (or, if the

## 2004 Financially Strong cont. from pg. 1

Strasser also cited other significant operating achievements by the Postal Service this year. "For the fifth consecutive year, we have increased productivity. Further, we reduced work hours by 21 million."

Strasser said "Despite this success, for the first time in history, in 2005 First-Class Mail is projected to fall below Standard Mail as the largest volume product. This shift in mail mix to lower revenue-per-piece mail classes will result in shrinking margins which are used to maintain universal service." Standard Mail competes for advertising expenditures and is more susceptible to volatility of business cycles, noted Strasser.

"The Postal Service has continued to focus on its five year Transformation Plan goal of removing \$5 billion in costs. In FY 2004 we achieved another \$1.5 billion in savings. To date, we've saved \$4.3 billion against the five-year goal," he added.

Potter noted that the Postal Service

will continue to pursue its Transformation Plan strategies, leveraging resources to build the business.

"While these strategies have resulted in historic productivity levels and cost savings over the last few years, we must recognize that additional efforts to take costs out of the system will require fundamental structural changes," Potter said.

The Postal Service Transformation Plan includes strategies for taking cost out of the business while improving efficiency. The plan embraces fundamental long-term transformation to include changes in postal business and operations that will affect customers and employees. This transformation will help the Postal Service secure a future for universal mail service at affordable rates and give it the tools to protect regular mail and ensure a sound national system well into the future. It is located at [www.usps.com/strategicplanning](http://www.usps.com/strategicplanning).

Since 1775, the U.S. Postal Service has connected friends, families,

neighbors and businesses by mail.

It is an independent federal agency that visits 142 million homes and businesses every day and is the only service provider delivering to every address in the nation. The Postal Service receives no taxpayer dollars for routine operations, but derives its operating revenues solely from the sale of postage, products and services. With annual revenues of more than \$69 billion, it is the world's leading provider of mailing and delivery services, offering some of the most affordable postage rates in the world. The U.S. Postal Service delivers more than 46 percent of the world's mail volume—some 206 billion letters, advertisements, periodicals and packages a year—and serves seven million customers each day at its 40,000 retail locations nationwide.

## New USPS Policy

### For Lessor Maintenance Issues cont. from pg. 1

Usually, a USPS employee is assigned this task. However, some FSO's are now contracting this work out. Usually to a former USPS employee.

The way it works is, a problem develops, the Postmaster calls the 800 number, the individual assigned to handle the complaints then contacts the Lessor and describes the problem.

From here it's about the same as before, the Lessor must make ar-

rangements to fix the problem in a timely manner. If they fail to do so, USPS can elect to make the repairs and deduct the cost from the rent.

One of the differences from the old way, is the loss of institutional knowledge of the facility's history. Previously, the ASO's had a better handle on their facilities. They knew of previous problems and what, if anything, was done to the facility.

When you receive a phone call

now, it will most often be from someone with little knowledge of the facility. They will be going by what the lease reads, ie. Lessor Maintenance Responsibility. Most of the time they will be correct, the maintenance is the responsibility of the Lessor.

However, at times, USPS, directly or thru the ASO made improvements to the facility without the knowledge of the FSO's. Cont. pg. 5

## From The "Hill" cont. from pg.2



construction cont. pg.4  
of a post office is involved, the proposed timetable therefor).'  
(c) Considerations- Paragraph (3) of such section 404(b) (as so redesignated) is amended--  
(1) in the matter before subparagraph (A), by striking 'to close or consolidate' and inserting 'to take a proposed action with respect to';  
(2) by striking 'such closing or consolidation' each place it appears and inserting 'such action';  
(3) in subparagraph (A)(i), by striking the semicolon and inserting ', taking into account (I) the extent to which the post office is part of a core downtown business area (if at all), and (II) the nature and the extent of any opposition within the community to the proposed action;';  
(4) in subparagraph (A)(ii), by striking 'Postal Service employed at such office;' and inserting 'Postal Service';  
(5) in subparagraph (A)(iv), by inserting 'quantified long-term' before 'economic'; and  
(6) in subparagraph (A), by striking 'and' at the end of clause (iv), by redesignating clause (v) as clause (viii), and by inserting after clause (iv) the following:  
'(v) any views or concerns expressed by any officials or other representatives of local government, including whether the proposed action is reasonable in light of local population projections;  
'(vi) consistency with the size, scale, design, and general character of the surrounding community;  
'(vii) whether all reasonable alternatives to such action have been explored; and'.  
(d) Notice of Determination- Paragraph (4) of such section 404(b) (as so redesignated) is amended--  
(1) by striking 'to close or consolidate' and inserting 'to take a proposed action (described in para-

graph (1)) with respect to';  
(2) by striking 'paragraph (2)' and inserting 'paragraph (3)'; and  
(3) by striking 'office.' and inserting 'office (including by posting a copy of such determination in the post office or each post office serving the persons who will be affected by such action) and shall be transmitted to appropriate local officials.'.  
(e) Additional Requirements- Such section 404(b) is amended by adding at the end the following:  
'(7) In any case in which a community has promulgated any procedures to address the relocation, closing, consolidation, or construction of buildings in the community, and the public participation requirements of those procedures are more stringent than those provided in this subsection, the Postal Service shall apply those procedures to the relocation, closing, consolidation, or construction of a post office in that community in lieu of applying the procedures established in this subsection.  
'(8) In making a determination to relocate, close, consolidate, or construct any post office, the Postal Service shall comply with any applicable zoning, planning, or land use laws (including design guidelines, building codes, and all other provisions of law) to the same extent and in the same manner as if the Postal Service were not an establishment of the Government of the United States.

'(9) Nothing in this subsection shall be construed to apply to a temporary customer service facility to be used by the Postal Service for a period of less than 60 days.

'(10)(A) For purposes of this paragraph the term 'emergency' means any occurrence that forces an immediate relocation from an existing facility, including natural disasters, fire, health and safety factors, and lease terminations.

'(B) If the Postmaster General determines that there exists an emergency affecting a particular post office, the Postmaster General may suspend the application of this subsection, with respect to such post office, for a period not to exceed 180 days.

'(C) The Postmaster General may exercise the suspension authority under this paragraph with respect to a post office once for each discrete emergency affecting such post office.

'(11) The relocation, closing, consolidation, or construction of any post office shall be conducted in accordance with applicable provisions of the National Historic Preservation Act.'

(f) Technical and Conforming Amendments- Such section 404 (b) is amended--

(1) in paragraph (5) (as so redesignated) by striking 'take no action to close or consolidate' and inserting 'take no action described in paragraph (1) with respect to'; and

(2) in paragraph (6) (as so redesignated)--

(A) by striking 'to close or consolidate' and inserting 'to take any action described in paragraph (1) with respect to'; and  
(B) by striking 'paragraph (3)' and inserting 'paragraph (4)'.

## New USPS Policy For Lessor Maintenance Issues cont. pg. 3

As an example:

the ASO may have approved an HVAC (heating and air conditioning) upgrade, paid for and installed by a USPS contractor. In this case, USPS would have maintenance their responsibility to make the repairs.

This scenario holds true for many other types of improvements, including but not limited to, roof, parking lot, painting, etc.

If the Lessor isn't aware of these improvements, he or she may be making repairs they are not obligated to repair.

There is no easy or simple answer to avoid this from happening. USPS would not intentionally ask the Lessor to repair something that isn't

their responsibility. However, with the closing of the ASO's and all the personal changes within Facilities over the last few years, most Real Estate Specialists have new territories and are not familiar with past events.

If they are available, the best way to establish responsibility would be to review the files from both the ASO and the FSO to determine what, if any, improvements have been made and who made them.

If the responsibility is yours, it is very important to see that the repairs are made as soon as possible. Under the old conditions, the ASO would notify the FSO of the problem, the FSO in turn would notify the Lessor, usually by certified mail and ask that the

repairs be made. This process could take weeks. That has all changed with the new system. Once you are notified, usually by phone, the clock starts ticking. The situation will dictate how much time you have to make the repairs. In the case of a leaky roof or an emergency repair, the timeframe will be short. If USPS makes the repairs thru their Contractor it may be more expensive.

This is my opinion of how the new system works and is based upon my experiences as a Lessor and knowledge as a former USPS Real Estate Specialist. There may be policy variations between FSO's and Area offices.

By: Chuck Baker

## Frequently Asked Questions

**By: Bob Wilkes USPS Real Estate Contracting Officer, Retired**

**Q:** A Lessor has a lease which makes him responsible for maintaining the Post Office in "good repair and tenantable condition except in the case of damage arising from the act or negligence of the USPS agents or employees". This responsibility includes all doors (including the vestibule doors unless the lease specifically states otherwise).

The vestibule doors are subject to heavy use which causes them to prematurely fail. The Lessor refused to replace the doors because he felt that the extraordinary use by the USPS goes

beyond ordinary wear and tear. The USPS went ahead and completed the replacement of the vestibule doors in accordance with USPS plans and specifications and then deducted the cost from the Lessor's rent. WAS THE LESSOR RESPONSIBLE FOR REPLACING THE VESTIBULE DOORS?

**A:** YES. Ordinary wear and tear is measured by the appropriate level of use of the property for the purposed leased. Ordinary wear and tear for Post Office vestibule doors is greater than in an ordinary commercial context

so the damages here were not caused by the act or negligence of postal employees. Having constructed the doors in accordance with USPS plans and specifications has no effect on the Lessor's duty to maintain them.\*\*

\*\* NOTE: There have been situations where the USPS has installed NEW AND IMPROVED doors (i.e., not a "one for one" replacement in like kind). In situations like that, there is possibly some relief available to the Lessor.

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**USPS DATA BASE ON LINE**

address

address

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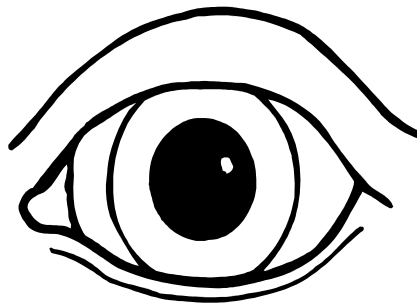
## The "Eye"

### Renewal Options What's Up?

Many leases have substantial increases in their renewal option amounts, and several new Lessors have purchased a post office based on the current rent with the expectation of a nice return based upon the renewal option amount.

This is a one way clause in favor of USPS. It gives the Postal Service the option to remain at the present location. What many Lessors are finding out, is the rental amount and or term are not etched in stone, unless USPS wants to accept the terms. If not, they can and will attempt to reduce the rent. Especially when, in their opinion, it is too high. However if you feel it is too low you cannot increase the rent; thus the one way option.

As with most things, the rent can usually be negotiated. Determining Mar-



ket Value is the best way to establish a rent for which both parties can agree. As a general rule, USPS will go 125 % above market value. Moving is usually an option of last resort.

### Taxes & Maintenance Responsibility

If forced, USPS will usually take over either or both of these responsibilities. Maintenance is more difficult to negotiate, and will require the Lessor to cure (fix) any existing problems prior to USPS acceptance of maintenance re-

sponsibility. Also, a monetary consideration must be given in the rent. This is the same for Taxes, a monetary consideration must be reflected in the rental amount.

This is usually addressed by using comparable post office rents from the APLC data base where USPS is already paying for one or both of these responsibilities. In reality, if USPS were to build a new facility, they would, more often than not, be responsible for both Taxes and Maintenance. However, this responsibility would be for a new building, still under warranty.

Do you have an opinion?  
Submit your comments to

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