



# Management Directive

## Commonwealth of Pennsylvania

### Governor's Office

---

## Management Directive 625.06 Amended – Leasehold Improvements

Date: July 10, 2023

By Direction of:

A handwritten signature in blue ink, appearing to read "RB McNeil II".

Reginald B. McNeil II, Secretary of General Services

Contact Agency: Department of General Services  
Bureau of Real Estate  
Telephone: 717.787.4394

**This directive establishes policy, responsibilities, and procedures for requesting and making improvements to real property leased to the Commonwealth.**

### 1. PURPOSE.

To establish policy, responsibilities, and procedures for requesting and making improvements to real property that is leased to the Commonwealth by private, non-Commonwealth individuals or entities.

### 2. SCOPE.

This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction, and other state agencies, that are required to enter into real estate leases through the Department of General Services (DGS) (hereafter referred to as "agencies").

### 3. OBJECTIVES.

- a. To ensure the Lessor has given its consent to the Lessee prior to the Using Agency making Leasehold Improvements to the property.
- b. To ensure cost effectiveness, increased efficiency, and improve completion times for Leasehold Improvements.

### 4. DEFINITIONS.

- a. **Leasehold Improvement.** An addition, alteration, or improvement to leased real property, undertaken at the request of the Lessee after the lease execution date, and which scope and value are negotiated between Using Agencies, the DGS' Bureau of Real Estate (BRE), and the Lessor and delivered by the Lessor or by the Lessee at BRE's discretion.
- b. **Leasehold Improvement Addendum (Attachment 1).** A document used to supplement existing lease language and provide clarification on requirements for completion of Leasehold Improvements.
- c. **Leasehold Improvement Change Order (Attachment 2).** A document signed by the Lessor and approved by the Director of DGS, BRE, that states the Lessor is aware of the Leasehold Improvement(s) and agrees to construct and renovate the premises as requested by the Lessee and that the Lessor agrees to furnish all labor and materials to complete the scope of the Change Order. This form shall be considered the Change Order contract and shall be issued for changes in the (increased) cost of a contract. Lessee agrees to pay Lessor the total cost of improvements in accordance with the Leasehold Improvement proposal.
- d. **Leasehold Improvement Consent Form (GSRE-69 and GSRE-69a) (Attachments 3 and 4).** A document signed by the Lessor and approved by BRE that documents the Lessor's approval of the Leasehold Improvement and provides authorization for the Lessor and/or Lessee's contractor to complete the requested improvement(s) at Lessee's sole cost and expense. Form GSRE-69a is specific to Leasehold Improvements required to modify the signage of the Pennsylvania Liquor Control Board's (PLCB) retail stores.
- e. **Lessee.** The Commonwealth of Pennsylvania, acting through DGS, on behalf of the Using Agency as assigned by DGS, BRE.
- f. **Lessor.** The non-Commonwealth party to a real estate lease entered into with the Commonwealth, through DGS, and which has the legal right and ability to lease the premises to the Lessee.
- g. **TRIRIGA.** The Commonwealth's enterprise real estate portfolio management system. If BRE designates use of another real estate portfolio management system, all references to "TRIRIGA" in this directive will refer to that BRE-designated system.
- h. **Using Agency.** The Commonwealth of Pennsylvania department, agency, office, board, or commission assigned by DGS, BRE, at its sole discretion, to occupy the leased premises.

## 5. POLICY.

- a. The standard DGS real estate lease contains a clause that authorizes the Commonwealth to make Leasehold Improvements but only with the consent of the Lessor.
- b. Using Agencies must submit a request to the BRE for evaluation and approval of Leasehold Improvements prior to the commencement of any work.
- c. Consent of the Lessor is required for all Leasehold Improvements regardless of the dollar amount for the improvements. Refer to the chart below for guidance on applicable forms and approvals required prior to work commencing:

<b>Cost Threshold/Modification of Lease Terms</b>	<b>Existing Statewide Contract?</b>	<b>Required Form</b>	<b>Required approvals</b>
Within the small no-bid procurement threshold for Leasehold Improvements per <a href="#">Part I, Chapter 07 of Manual 215.3 Amended, Procurement Handbook</a>	No	Leasehold Improvement Consent Form	BRE approves the Leasehold Improvement Consent Form; Agency follows applicable procedures referenced in <a href="#">Part I, Chapter 07 of Manual 215.3 Amended, Procurement Handbook</a>
Less than \$50,000	Yes	Leasehold Improvement Consent Form	BRE approves Leasehold Improvement Consent Form; Agency follow applicable procedures referenced in <a href="#">Manual 215.3 Amended, Procurement Handbook</a>
Above the small no-bid procurement threshold for Leasehold Improvements per <a href="#">Part I, Chapter 07 of Manual 215.3 Amended, Procurement Handbook</a> ; but less than \$50,000	No	Leasehold Improvement Change Order	Must be signed by Lessor and the Director of BRE prior to work commencing
\$50,000 or higher	n/a	Lease Amendment	Must be executed by BRE, approved by the Board of Commissioners of Public Grounds and Buildings pursuant to <i>Section 316 of the Pennsylvania Procurement Code, 62 Pa.C.S. § 326</i> , and signed by the Secretary of DGS prior to the work commencing
Lease terms require formal Lease Amendment for the Lessor to make the Leasehold Improvements regardless of cost (i.e. amortization of Leasehold Improvement costs into the rental rate)	n/a	Lease Amendment	Must be executed by BRE, approved by the Board of Commissioners of Public Grounds and Buildings pursuant to <i>Section 316 of the Pennsylvania Procurement Code, 62 Pa.C.S. § 326</i> , and signed by the Secretary of DGS prior to the work commencing

## **6. RESPONSIBILITIES.**

### **a. Agency.**

- (1)** Determine the need for Leasehold Improvements and develop the scope of work and specifications for improvements.
- (2)** Obtain quotes for the desired improvement from the Lessor.
- (3)** Obtain the Lessor consent utilizing Form GSRE-69 or GSRE-69a, if applicable per Section 5 above.
- (4)** Submit a Leasehold Improvement request in TRIRIGA to DGS, BRE.
- (5)** When the Leasehold Improvement is approved utilizing a Leasehold Improvement Consent Form, follow agency procurement procedures to have the improvements completed upon approval by DGS, BRE.
- (6)** Schedule and coordinate the improvements with the Lessor.

### **b. BRE.**

- (1)** Review the plans and specifications for the Leasehold Improvements in the leased premises for appropriateness and necessity.
- (2)** Approve or deny request by signing a Leasehold Improvement Consent Form or process a Leasehold Improvement Change Order or Amendment, whichever is applicable.
- (3)** Maintain a copy of the executed Leasehold Improvement Consent Form, Change Order or Amendment in the official lease record in TRIRIGA.

## **7. PROCEDURES.**

### **a. Agency.**

- (1)** Develop scope of work and specifications and prepare a drawing or floor plan clearly identifying the location for the work to be completed. Coordinate with DGS, BRE for assistance, as needed.
- (2)** Submit a Leasehold Improvement request in TRIRIGA and attach the specifications and drawing or floor plan and Lessor-signed Leasehold Improvement Consent Form (if applicable) to the request.

### **b. BRE.**

- (1)** Review request, plans, and specifications for appropriateness and necessity.
- (2)** When applicable, sign the Leasehold Improvement Consent Form and complete the request in TRIRIGA.
- (3)** When applicable, prepare a draft Leasehold Improvement Change Order or a Lease Amendment and submit to Lessor along with the drawing or floor plans and specifications and request Lessor to review and provide quotes for the requested improvements.

- c. Lessor.** Review request and plans/specifications and obtain quotes for the requested improvements and return to DGS, BRE.

- d. **BRE.**
  - (1) Review the costs provided by the Lessor to ensure costs are reasonable. If necessary, BRE may request Lessor to obtain additional quotes or provide further explanation.
  - (2) If determined costs are reasonable, submit an approval task in TRIRIGA to the agency for budgetary approval of the project.
- e. **Agency.** Review the costs and confirm the scope of work and approve or deny the costs. If approved, agency designee shall approve the task in TRIRIGA.
- f. **BRE.** Upon receipt of the agency-approved request, prepare the Leasehold Improvement Change Order and submit, along with the final scope of work, drawings, and quote(s) to Lessor and request Lessor to sign the Leasehold Improvement Change Order and return to BRE. A Leasehold Improvement Addendum is required for Leasehold Improvements if existing lease language needs to be replaced in order for the work to be completed. Both Leasehold Improvement Addendum and Change Order must be signed by the Lessor and Lessee.
- g. **Lessor.** Sign and return Leasehold Improvement Change Order to BRE.
- h. **BRE.**
  - (1) Execute the Leasehold Improvement Consent Form by obtaining the Division Chief's signature or the signature of their designee.
  - (2) Execute the Leasehold Improvement Change Order by obtaining the BRE Director's signature or the signature of their designee.
  - (3) Complete the request in TRIRIGA and retain a copy for the official lease file.
- i. **Agency.** Coordinate the Leasehold Improvement activity with the Lessor keeping all parties informed of the status of the work.

**This directive replaces, in its entirety, *Management Directive 625.6 Amended*, dated May 1, 2009.**



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF GENERAL SERVICES  
HARRISBURG

**LEASE ADDENDUM FOR LEASE #**

**THIS ADDENDUM**, by and between \_\_\_\_\_, (LESSOR), and the Commonwealth of Pennsylvania, acting through the Department of General Services, agent for the \_\_\_\_\_, (LESSEE), shall serve to clarify Paragraph # \_\_\_\_\_, Construction or Additional Alterations, of LEASE # \_\_\_\_\_ (LEASE), dated \_\_\_\_\_.

**WHEREAS**, the parties entered into the LEASE for the premises known as \_\_\_\_\_, \_\_\_\_\_, in the County of \_\_\_\_\_, Pennsylvania (PREMISES); and

**WHEREAS**, the parties wish to clarify Paragraph # \_\_\_\_\_ of the LEASE via the terms of this ADDENDUM.

Now, therefore, the parties, with the intent to be legally bound, agree as follows:

For any alterations, improvements or additions to the PREMISES, at the request of the LESSEE, during the term of the LEASE, LESSOR and LESSEE agree and acknowledge that a Lease Amendment, Consent Form, or Leasehold Improvement Change Order, must be executed by both parties and delivered to LESSOR before any Leasehold Improvement is started.

LESSOR and LESSEE agree that alterations, improvements or additions to the PREMISES that are requested by the LESSEE and do not exceed \$50,000.00 shall be outlined in a fully executed Consent Form or Leasehold Improvement Change Order, whichever is applicable as determined by LESSEE.

LESSOR and LESSEE agree that any alterations, improvements or additions to the PREMISES that are requested by the LESSEE and which cost \$50,000.01 or more must be accomplished through the full execution of a Lease Amendment.

Any and all Leasehold Improvements shall be constructed in compliance with all applicable local, state and federal codes, regulations, statutes, and/or ordinances, applying whichever are most stringent.

The PREMISES shall be restored in a manner that is acceptable to LESSEE, when the Leasehold Improvement is completed by LESSOR, or acceptable to LESSOR when the Leasehold Improvement is completed by LESSEE.

LESSOR and LESSEE agree that nothing contained in this ADDENDUM, or its attachments, shall be construed to alter, delete or replace any other term or condition contained in the LEASE and that the changes to be made in accordance with this ADDENDUM are limited

to physical alterations, improvements or additions (not resulting in an increase or decrease in square footage or rental rate) to the leased PREMISES.

IN WITNESS WHEREOF, the parties hereto have duly executed this LEASE  
ADDENDUM as of \_\_\_\_\_, 20\_\_.

**LESSOR:**

\_\_\_\_\_  
,

Date: \_\_\_\_\_

**LESSEE**

Commonwealth of Pennsylvania, acting by and through  
Department of General Services

\_\_\_\_\_  
Director, Bureau of Real Estate

Date: \_\_\_\_\_

**APPROVED AS TO FORM AND LEGALITY**

**OFFICE OF GENERAL COUNSEL  
GENERAL**

By \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_, \_\_\_\_\_  
\_\_\_\_\_

**OFFICE OF ATTORNEY**

By

\_\_\_\_\_



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF GENERAL SERVICES  
HARRISBURG

**LEASEHOLD IMPROVEMENT CHANGE ORDER #CO- \_\_\_\_\_ FOR LEASE # \_\_\_\_\_**

THIS LEASEHOLD IMPROVEMENT CHANGE ORDER (CHANGE ORDER) is between the Commonwealth of Pennsylvania, acting through the Department of General Services, agent for the \_\_\_\_\_, (LESSEE), and \_\_\_\_\_ (LESSOR).

LESSOR, at the request of, and for the benefit of the LESSEE, will provide Leasehold Improvements<sup>1</sup> to the Premises<sup>2</sup> in accordance with the plans and specifications illustrated in Exhibit CO- \_\_\_\_\_ A and pursuant to Exhibit CO- \_\_\_\_\_ B, Acceptance of Renovations Inspection Report. LESSOR agrees to furnish all labor and materials in order to complete the Leasehold Improvements included within the scope of this CHANGE ORDER.

Work listed and described in Exhibit CO- \_\_\_\_\_ A shall be completed by a licensed contractor \_\_\_\_\_ with proof of insurance within sixty (60) days of the full execution of this CHANGE ORDER. Work will be completed with minimum disruption to the workplace at times agreed upon by LESSEE. Upon completion and acceptance by LESSEE pursuant to Exhibit CO- \_\_\_\_\_ B, LESSEE agrees to pay LESSOR a one-time lump sum payment for the actual costs incurred not to exceed \$ \_\_\_\_\_. LESSOR shall invoice LESSEE for actual costs incurred within 30 days following completion of the work.

<sup>1</sup> Additions, alterations or improvements made to the Premises, which occur after the Commencement Date of the Lease.

<sup>2</sup> The property, as defined and clarified in the Lease Agreement, that is owned by the Lessor and is leased to the Lessee.

**IN WITNESS WHEREOF**, the parties hereto have duly executed this  
LEASEHOLD IMPROVEMENT CHANGE ORDER as of \_\_\_\_\_,  
20\_\_\_\_.

**LESSOR:**

\_\_\_\_\_

Date: \_\_\_\_\_

**LESSEE:**

Commonwealth of Pennsylvania,  
acting through the Department of General Services

\_\_\_\_\_

Date: \_\_\_\_\_

Director  
Bureau of Real Estate

Distribution: Agency Comptroller and/or Treasury Department

\*For Leasehold Improvements that are estimated at \$50,000.00 or less, this Leasehold Improvement Change Order shall be signed by the Director of the Bureau of Real Estate.

\*\*Leasehold Improvements that are estimated at \$50,000.01 and over must be accomplished through execution of a formal Lease Amendment.

EXHIBIT "CO- \_\_\_\_\_"  
ACCEPTANCE OF LEASED PREMISES AND/OR RENOVATIONS  
INSPECTION REPORT

LESSOR: \_\_\_\_\_  
(NAME)

\_\_\_\_\_  
(STREET) (CITY) (COUNTY)

LOCATION: \_\_\_\_\_  
(STREET) (CITY) (COUNTY)

USING AGENCY: \_\_\_\_\_  
(DEPARTMENT) (BUREAU)

This is to certify that I have visually inspected the above premises on \_\_\_\_\_ and find  
(DATE)  
that the premises are built and/or renovated in accordance with the requirements of Lease \_\_\_\_\_  
(LEASE #)

with the exception of the following items:

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_
- 4. \_\_\_\_\_
- 5. \_\_\_\_\_

(Additional items on attached sheet, if necessary)

The \_\_\_\_\_ hereby accepts the above premises for occupancy  
(USING AGENCY)  
effective \_\_\_\_\_ and approves the \_\_\_\_\_ New Construction \_\_\_\_\_ Renovations  
(ACCEPTANCE DATE)  
excepting the above items numbered \_\_\_\_\_

Further, \_\_\_\_\_ agrees that \_\_\_\_\_  
(USING AGENCY) (ACCEPTANCE DATE)  
is to be the effective date of occupancy; that the rental for the above-mentioned property shall commence on  
that date, that the lease term, upon the execution of this document by all parties, shall extend for \_\_\_\_\_ years  
from the acceptance date; with any option terms provided for in the lease being adjusted accordingly.

\_\_\_\_\_  
(USING AGENCY'S REPRESENTATIVE)  
\_\_\_\_\_  
(TITLE)

I understand and agree to the foregoing and I certify, as lessor of the above referenced premises, that  
completion of the excepted items as stated herein shall be no later than \_\_\_\_\_. I also acknowledge  
and agree that, should I fail to complete any of those items within the above time frame, then the Lessee may, at  
its discretion withhold rental payments. I hereby agree to the adjustment in the lease and option terms described  
above.

\_\_\_\_\_  
(LESSOR SIGNATURE)

- Copy to DGS \_\_\_\_\_
- Copy to Treasury \_\_\_\_\_
- Copy to Comptroller \_\_\_\_\_



**LEASEHOLD IMPROVEMENT CONSENT FORM**

LEASE #: \_\_\_\_\_ (“Lease”)      PLCB Store #: \_\_\_\_\_      FRE CONTRACT #: \_\_\_\_\_

LESSOR: \_\_\_\_\_

USING AGENCY: \_\_\_\_\_

PREMISES ADDRESS (Street, City, Zip): \_\_\_\_\_

COUNTY: \_\_\_\_\_

Lessor hereby consents and otherwise authorizes Lessee and/or its contractor(s) to make Leasehold Improvements (LHI)<sup>1</sup> to the Premises<sup>2</sup> as defined and illustrated on the attached plan(s) and/or scope of work. In the event the Lessor is completing the work, the Lessor shall be considered the Lessee’s contractor for the purpose of this LHI.

The total cost of the LHI(s) shall be borne in full by Lessee<sup>3</sup>. Lessor understands and agrees that any items installed in accordance with this LHI Consent Form shall be maintained by the Lessor. Additionally, any items installed in accordance with this LHI Consent Form shall remain the property of the Lessee and may be removed by Lessee, at Lessee’s discretion provided that the Premises are restored to substantially the same condition as it was prior to completion of the Leasehold Improvement(s), ordinary wear and tear excepted.

The terms of this LHI Consent Form shall not be modified unless otherwise negotiated between the parties and specifically identified on the attached Statement of Work.

Lessor understands and agrees that this Consent Form is not fully executed until the Lessor and Lessee have both signed below.

**LESSOR:**

**LESSEE:**

Commonwealth of Pennsylvania, acting through the Department of General Services

By:

By:

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Print Name:

Title:

Title: Chief,

**FOR DGS/BRE USE ONLY:**

**This Consent Form is executed on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.**

<sup>1</sup> Additions, alterations or improvements made to the Premises, undertaken at the request of the Lessee, which occur after the Execution Date of the Lease

<sup>2</sup> The property, as defined and clarified in the Lease Agreement, that is owned by the Lessor and is leased to the Lessee

<sup>3</sup> The Commonwealth of Pennsylvania, acting through the Department of General Services, on behalf of the Using Agency



**LESSOR CONSENT FORM (PLCB Signage)**

LEASE #: \_\_\_\_\_ ("Lease")      PLCB Store #: \_\_\_\_\_      FRE CONTRACT #: \_\_\_\_\_

LESSOR: \_\_\_\_\_

USING AGENCY: Pennsylvania Liquor Control Board (PLCB)

PREMISES ADDRESS (Street, City, Zip): \_\_\_\_\_

COUNTY: \_\_\_\_\_

Lessor hereby consents and otherwise authorizes Lessee and/or its contractor(s) to make Leasehold Improvements<sup>1</sup> to the Premises<sup>2</sup> as defined and illustrated on the attached plan(s) and/or scope of work.

The total cost of the Leasehold Improvement(s) shall be borne in full by Lessee<sup>3</sup>.

Lessor understands and agrees that the maintenance of the signage installed by Lessee shall be the responsibility of the Lessor. Lessor agrees to remove the signage within thirty (30) days after the termination of the Lease.

Lessor understands and agrees that this Consent Form is not fully executed until the Lessor and Lessee have signed.

**LESSOR:**

**LESSEE:**

Commonwealth of Pennsylvania, acting through the Department of General Services

By:

By:

\_\_\_\_\_  
Print Name:  
Title:

\_\_\_\_\_  
Print Name:  
Title: PLCB Leasing Division Chief

**FOR DGS/BRE USE ONLY:**

**This Consent Form is executed on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.**

<sup>1</sup> Additions, alterations or improvements made to the Premises, which occur after the Commencement Date of the Lease

<sup>2</sup> The property, as defined and clarified in the Lease Agreement, that is owned by the Lessor and is leased to the Lessee

<sup>3</sup> The Commonwealth of Pennsylvania, acting through the Department of General Services, on behalf of the Using Agency