

POSTscript

AUSPL Special Conference Edition



AUSPL CONFERENCE

ORLANDO, FLORIDA | APRIL 20 - 21



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AUSPL

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President's Message, Keith LaShier



AUSPL President, Keith LaShier

I want to introduce myself to our members as the newly elected President of the Association of United States Postal Lessors (AUSPL). I have served on the Board of the AUSPL and had retired from the U S Postal Service. While at the USPS, I was involved in the Facilities Department and had enjoyed service in Finance and Operational positions. I have met many of you over the years at our Regional and National Conferences and have talked to many members who call our office seeking assistance on a myriad of issues related to Post Office ownership. I'd like to use this forum to apprise you of recent and upcoming events and activities.

Congratulations to everyone who contributed to the education of members of Congress on the benefits of the USPS leased facility inventory, maintaining six-day delivery, and retaining a physical presence in communities across the U.S. **The Postal Service Reform Act of 2022** was signed into law in April 2022. AUSPL members contributed financially to the AUSPL Political Action Committee (AUSPL PAC), attended Hill Day in person and virtual events, wrote letters and spoke to their elected officials. Several years of effort have paid off and we thank you for your role in this endeavor. The USPS now has more tools and flexibility to move forward on their transformation plans.

We were able to hold several Regional Training Events during the fall of 2021, and are excited to schedule more for later this year. Keep tuned in to our website to obtain up-to-date information on these sought-after venues.

The recent Orlando, FL national conference was a success! We were so happy to connect face to face with our members after being apart the past couple of years. This magazine will feature many details on the conference.

I attended the National Postal Forum that was held in May 2022. I heard from Postmaster General and CEO Louis DeJoy as he shared his vision for the future of the USPS, which included the following: a Postal Service Retail Center in easy reach of every community; a modern Postal Service processing and transportation network; technology enabled carriers in new vehicles; and Postmasters as leaders of commerce in their communities.

I met and talked to **Ben Kuo, the recently selected Facilities, Senior Vice President**. During a presentation at the conference, the USPS acknowledged that its past 15 years of financial losses prevented it from adequately investing in infrastructure. The USPS is planning to spend \$1.3 billion for each of the next five years in transformative investments - a significant increase from prior years. These investments will improve the network of mail processing facilities. The Facilities Department will play a key role in helping transition the USPS to newer processing facilities using standardized designs. PMG DeJoy stated many of the 19,000 delivery units are in disrepair. In large cities the USPS may consolidate delivery routes into Sort and Delivery Centers.

The Board of the AUSPL will continue to be engaged with senior officials from the USPS on its transformation plans and how it might impact the leased facility inventory. In addition, we recently met with Government Accountability Office officials to discuss how our organization and property owners might assist the USPS in the installation of electric charging stations. I see this as a topic that will evolve slowly with no likely actions soon.

The Board will have meetings during the year with senior managers of the USPS Facilities Department to discuss topics that affect our members, such as the lease negotiation process, maintenance of Post Offices, and damage to Post Offices by third parties. We will work with the AUSPL Insurance Program to evaluate the impacts of natural disasters and other events that affect the pricing of the insurance obtained by our members.

We hope to see many of you later this year at our Regional Training Conferences. The precise location for the 2023 National Conference has not been finalized but it is expected to be in Las Vegas, NV.

Thanks again for your support and membership in the AUSPL.

A handwritten signature in blue ink that reads "Keith E. LaShier". The signature is fluid and cursive.

Keith LaShier
AUSPL Board President



ORLANDO, FLORIDA
APRIL 20 - 21, 2022



A spirit of collaboration and enthusiasm was palpable at the 2022 AUSPL Conference. After a two-year Covid hiatus, it was good to resume opportunities for learning and socializing. Acquaintances were made and friendships renewed over drinks, dinners, and the “best ever” Member’s Networking Reception.

Mark Dattel kicked off the Conference with a color guard and introductions of Board and staff members, and Exhibitors. Speakers updated the crowd on multiple postal related topics from various perspectives. Many postal facility experts – including speakers from the USPS, the USPS OIG, and a former US Postmaster General, gave invaluable advice to make postal leasing more profitable and less challenging.



VFW 4287 Honor Guard

Topics included working with the USPS and EMCOR, maintaining postal facilities, legal fine points of USPS lease forms, and the future of the USPS. A meeting highlight was an update about the long awaited and recently passed **Postal Service Reform Bill**.

Representative Carolyn Maloney, NY-12 sent a video thanking AUSPL members for working on passing the Postal Service Reform Act of 2022. Rep. Maloney, a long-time supporter of all things Postal, sponsored the bill, and worked tirelessly to gain support for, and ultimately passage of, the Act.



Congressman Gerald Connolly of Virginia also sent a video addressing AUSPL members, and expressed appreciation for the work AUSPL has done to aid the legislation and the USPS. He blamed Congress for many of the difficulties faced by the USPS, and said it took an Act of Congress to make repairs. He praised lessors for helping the Postal Service meet its goal of linking the country together.

Between Conference sessions, attendees explored the offerings of the many exhibitors – bankers, advisors, real estate consultants, and AUSPL Insurance Program representatives. Along with the great information and contacts, there is always plenty of swag providing useful gadgets like flashlights, notebooks, and pens. One exhibitor even provided a photo booth and the





opportunity for members to pose with a Benjamin Franklin look-alike, in honor of the first Postmaster General.

AUSPL Conference attendees will never go hungry or thirsty! A

Social Hour Reception on Tuesday evening welcomed early arrivers and set the communal atmosphere for the conference. Wednesday had a boxed lunch and (drum roll) the exceptional Member's Reception at Discovery Cove! An ample buffet breakfast and lunch on Thursday kept attendees well fed and provided opportunities to socialize with and learn from other lessors.

The Conference wrapped up with prize drawings. Several lucky winners went home with gifts, gift cards, and cash from Exhibitors and AUSPL.

We at AUSPL look forward to doing it again next year and hope every AUSPL member can attend.



Discovery Cove Member's Reception

The Member's Reception at Discovery Cove deserves its own description! First, it was beautiful! And second, the fellowship and food were both wonderful.

Upon entering the venue, winding verdant pathways led to a beach setting where guests were provided with abundant shrimp, Hawaiian poke tuna, tomato bruschetta, and chilled cocktail shrimp to enjoy with their drinks.

Through another path lined with lush vegetation, guests discovered animal ambassadors presenting a sloth and an exotic red parrot. Enticing buffet tables beyond displayed a fabulous southern dinner of pulled pork, glazed chicken, spare ribs, cat fish and vegetables. And we can't forget the red beans and rice, and beautiful desserts.

A lively singer/guitarist entertained guests all evening with favorite tunes. Nearby were a cigar rolling station, cornhole games, and the not-to-be-missed dolphin pond. Wheelchairs with balloon tires were provided so that no one was prevented from enjoying the sandy beach and views of the dolphins. It was a great evening of fun for everyone!



Thank You to Two Important AUSPL Leaders

The annual AUSPL Members' Conference is an opportunity to honor exceptional people for their contributions. Two such people, Gary Poelstra and Lana Ruch, are stepping away from their positions on AUSPL's Board of Directors. Their inscribed trophies recognized their important work for AUSPL over the last two decades.

Gary served as AUSPL President for 10 years, and as a Board member for over 20 years. For over 20 years, Lana was a Board member and Board Secretary.

No summary can capture the impact these two have had on the Association and individual lessors. Their contributions have made them valued and respected members of AUSPL for both their knowledge and their compassion.

AUSPL members will continue to benefit from their experience, as they will continue as emeritus Board Members.



Mark Dattel and Lana Ruch.



Mark Dattel and Gary Poelstra.

Conference Prize Winners

Each year at the Conference, Exhibitors, Sponsors and AUSPL give out prizes of gift cards, cash or other items. This year's lucky winners were:

- ★ **Marjorie Melby** iPad sponsored by American Postal Infrastructure
- ★ **Tom Williamson** \$300 Best Buy card sponsored by First Oklahoma Bank
- ★ **Rick Sheriak** \$300 Amazon card sponsored by Postal Realty Trust
- ★ **Steven DeZenzo** \$250 Amazon card sponsored by AUSPL

Congratulations to all! And thank you for attending the AUSPL Conference 2022!

AUSPL Insurance Was Created for Postal Lessors

Rick Austin the founder of AUSPL Insurance discussed the ways the AUSPL Insurance Program is unique, the claims process, and what to do when problems arise.

Uniqueness of the AUSPL Insurance Program.

- ★ AUSPL Insurance has insured post offices for almost 30 years and over time developed coverage that is specific to post office buildings.
- ★ The program is the largest of its kind, has a national presence, and utilizes one nationwide adjusting firm.
- ★ Guaranteed Replacement Cost and other coverages such as mold, loss of rents due to anthrax, and automatic increased general liability limits when a lessor signs a new USPS lease are unique to the AUSPL Insurance program.



Rick Austin (standing) and James Brown (seated) of AUSPL Insurance.

To file a claim, call the AUSPL Insurance office at 877-642-8775. The office will enter the claim into the system and notify NARS, the nationwide adjusting firm. Within 24 hours, NARS will contact the claimant and assign a local adjuster to provide an estimate. In some cases, the owner may need to get a second estimate to make sure the settlement is enough to facilitate repairs. NARS reviews the estimates and then issues the appropriate payment. Members having difficulty with a claim can call AUSPL Insurance for help in getting their claim resolved.

Rick advises lessors to **consider the cost** of insurance when negotiating lease renewals. Insurance costs in areas with significant weather-related hazards involve elevated risks and have more frequent claims than states where weather is less erratic. When negotiating a lease, consider insurance costs and the possibility that likelihood of cost increases over time. Rely on AUSPL and consultants in the field to help evaluate the insurance component and its cost. Also, remember to keep funds on hand to cover deductibles for any claims that arise.

The AUSPL Insurance Program is a benefit of membership in AUSPL and is only available to its members.

**For a free quote, call
877-642-8775 today!**



Association of United States Postal Lessors
AUSPL Insurance Program



WORKING WITH THE FACILITIES DEPARTMENT OF THE USPS

Each Conference, AUSPL members receive an update on the US Postal Service. This year's USPS presenter was Letitia Russell of the Facilities Leasing Department. Letitia's reassuring presentation covered communications with the USPS, the Landlord Maintenance Program update, and dealing with claims & disputes.

Letitia also introduced new contact information for the USPS, which has been mailed to all lessors. Additionally, this information is on the AUSPL website www.auspl.com under *Members Only*, and from the AUSPL office (800-572-9483).

As part of an effort to clarify lines of communication between the USPS and lessors, Letitia provided a summary of situations in which lessors should contact the Facilities Leasing Department, and situations where it is best to contact the facility Postmaster: (see insert).

The USPS Facilities Department is working on what Letitia called, the "no-response" problem. The new contact information gives a centralized phone number to be used when lessors are uncertain about appropriate contact persons. However, she advised "If you have a contact person, stick with them!" If not, leave a message on the toll-free number: 1-844-661-8729. That number should have a three-to-five-day response time.

By now lessors are familiar with JLL. It was contracted by the USPS to perform the specific duties of acquisition, disposal of excess owned space, negotiation of leases for existing leased space, and subcontracting repairs to EMCOR. The last two are the areas where most lessors engage with JLL. Disagreements with JLL can be discussed with the Facilities Department at the toll-free number.

Regarding disputes with the USPS, Letitia reminded that following receipt of a Contracting Officer's Final Decision lessors have 90 days to submit disputes to the Board of Contract Appeals. Disputes most commonly arise concerning maintenance obligations.

The USPS is working to improve communications with lessors and clarify the lines of communication. On the part of lessors, the USPS asks that buildings be periodically inspected and that lessors quickly address required maintenance.



Letitia Russell, US Postal Service.

WHO TO CONTACT

POSTMASTER:

- Landlord request entry to inspect
- Landlord request entry to perform maintenance
- Selling building – Landlord request entry to tour
- To discuss Utilities when they are the obligation of the USPS

FACILITIES LEASING:

- To discuss Utilities when they are the obligation of the lessor
- Lease – questions or issues
- Lease – Negotiations
- Rent – questions or issues
- Disputes
- Claims
- Common Area Maintenance (CAM) reimbursement
- Tax Reimbursement

EMCOR OPERATIONS

Amy Collins of Postal Realty Trust shared her extensive knowledge of EMCOR operations with conference attendees. Lessors frequently express frustration with the confusion experienced in dealings with EMCOR and its processes.

Amy gave specific suggestions and steps for effectively responding to EMCOR maintenance requests, including reviewing the details of the Lease Maintenance Rider, Utilities Service and Equipment Rider (USE Rider), and Alterations and Restoration Clause of the lease. According to Amy, the USE Rider will control when the Maintenance Rider and the USE Rider conflict with one another.

Keep both the USPS and EMCOR up to date on the progress of repairs. And request needed extensions at least a week before the due date for completion. After making repairs, a lessor should obtain written confirmation from both the facility and EMCOR confirming that the repairs are complete.

Despite reviews by both the USPS and EMCOR, situations still arise where lessors are asked to make repairs that for which the USPS is responsible. Lessors aren't responsible for repairs to USPS alterations or improvements, or if the USPS is responsible under the lease, or if the repairs were necessary due to USPS negligence. In such cases, lessors should seek exclusions from the repair requirement. In seeking an exclusion, provide evidence such as the applicable lease provision, photos, or documentation of a conversation with the Postmaster.

Exclusions can be denied, and, in such a case, the lessor has decisions to make. The lessor can make repairs at the lessor's expense, make repairs and seek reimbursement; ask for a Contracting Officer's Final Determination; or tell the USPS to "enforce." Each of those options has pluses and minuses; the lessor will want to weigh costs and consequences of each choice. Consequences can include extra costs incurred if the USPS makes repairs and seeks reimbursement ("enforcement"), or the extra time required to seek a Contracting Officer's Final Determination.

To work successfully with EMCOR, lessors should keep all parties informed, understand their lease obligations and the available options, and correctly follow procedures.

Amy's advice can be seen in more detail on the AUSPL website www.auspl.com under the *Members Only* section.



Amy Collins, Postal Realty Trust.



USPS OFFICE OF THE INSPECTOR GENERAL

Sherian Holland has worked for the USPS OIG for 24 years. She brought her years of knowledge to the AUSPL Conference attendees, discussing the enforcement arm of the USPS. She stated that, “the Mission of the USPS OIG is to ensure the efficiency, accountability, and integrity of the USPS.”

“The USPS OIG does a lot,” said Sherian. It plays a role in limiting narcotics in the mail, protects the USPS against false workers compensation claims, etc. As early as 1999 the USPS OIG identified issues with delayed mail at postal facilities. It has suggested ideas for the USPS to increase revenue and provide needed services such as governmental digital services, identity proofing, broadband, and non-bank financial services. The USPS OIG also produces reports on its investigations and other activities.

Sherian also reported on **the role the USPS OIG plays in facility maintenance**. For example, the USPS OIG recently instituted a Field Operation Review (FORTS) program. In this program, the USPS OIG looks at postal delivery units in one specific geographic area at a time. Using a checklist of maintenance issues, OIG auditors survey each facility, looking for maintenance, safety, and security issues. In the performance of these audits, no distinction is made between leased and owned facilities. Some recurring issues have included burned out light bulbs, trip hazards, fire extinguishers missing monthly and annual inspections, and damaged parking lot asphalt.

Following completion of the audit, the OIG’s office creates a separate report for each facility, as well as a “capping report” which summarizes the findings and recommendations for the area. The USPS is required to respond. That response can be agreement and plans to make repairs, or disagreement. For disagreement, there is a process of arbitration in place.

The reports are online at usps.oig.gov/documents-library.



Sherian Holland, USPS OIG.

The Mission of the USPS OIG is to ensure the efficiency, accountability, and integrity of the USPS.



AUSPL THANKS THE CONFERENCE EXHIBITORS!

The Exhibitors at the AUSPL Conference provide information lessors need. They advise about loans, purchasing and selling post offices, and insuring post offices. Each year, exhibitors come to the Conference with information, swag, and the desire to help. We thank them all for their contributions! The Conference wouldn't be the same without them.



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These dedicated sponsors of AUSPL greatly enhance the Conference experience. Some have supported multiple Conferences. Their generosity is greatly appreciated, and we thank them for their support!

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Front row from left to right:
Laurie Faith, Brad Meador, Thomas Coe, Brian Finnell,
Robert Klein. Nicole Subrati, Amy Collins

Back row from left to right:
Jeremy Garber, Phil Wilson, Keith LaShier,
Jason Sakeni, Raphael Harel, Andrew Spodek



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Partnership Between UPMA and AUSPL

Edmund Carley of the United Postmasters and Managers Association (UPMA) was a first-time presenter at the 2022 Conference. He is a postmaster and operates five retail post offices.

The UPMA is an association of postmasters and Postal Service managers. Members' benefits include **legislation, representation, education, and communication** with the USPS by the organization.

As part of its legislative activity, the UPMA has worked on the recent Postal Service Reform Act (HR 3076) since 2011. The bill provides opportunity for the USPS to offer additional governmental services besides mail sorting and delivery. Mr. Carley discussed postal banking, and the huge amount of training that would be required for employees across the nation to understand the Bank Secrecy Act. He believes it can be done but must be funded by Congress. His preference would be to leverage the network of routes to provide mapping or national security on the vehicles. The recent legislation still does not define the *Universal Service Obligation of the USPS*, and he would like to see more on that in the future.



Edmund Carley, UPMA President.

UPMA also protects the rights of its members. Its advocacy for members includes matters of working conditions, including the condition of postal facilities. The goal is fair and equitable treatment with dignity and respect.

The UPMA's *Leader Magazine*, in-person training at its national convention, and chapter and regional conventions provide education for UPMA members. Mr. Carley said, "Personal development and professional development go hand in hand. UPMA develops leaders with transferrable skills that change the USPS from within for the better.

Mr. Carley named technical expertise as the major benefit of the partnership between UPMA and AUSPL. Postmasters are not trained in leases or contract conditions. AUSPL brings needed expertise in this area.

AUSPL KEEPS IN TOUCH WITH MEMBERS



Joyce McCutcheon, AUSPL Board Secretary.

Joyce McCutcheon, AUSPL Board Secretary, reminded conference goers that AUSPL works to keep lessors informed through the AUSPL website and Facebook posts. The website has a *Members Only* tab where members can find information on topics from current news to access to radon maps, USPS Board of Contract Appeals cases, and archived newsletters. (The archived newsletters have an index that allows members to search by topic for that one article they just remembered and need but can't find!) Members need to sign up for access, so be sure to let the office staff know you want to be included, if you haven't already.

The Facebook page and Members Group are a good way to keep up with current events in postal facilities news, as well as interesting fun facts. In addition, members can ask questions of each other and share information about recent experiences with postal leasing.

RESOLVING LEASE DISPUTES WITH THE USPS

Steve Hurlbut, an attorney with Ackerman, LLP and AUSPL Board member, gave the group excellent advice on avoiding and resolving lease disputes with the USPS.

For a lessor, he said **it is important to understand the lease and be able to spot and resolve problems promptly and efficiently.** Steve advised lessors to read and re-read their leases, especially the General Conditions. The lease will hold the answers to most, but not all, questions about maintenance obligations, termination procedures, renewal options, holdovers, and dispute resolution.

Steve counseled lessors to be sure they are getting decisions from the correct USPS representative. Contractors such as JLL can negotiate for the USPS, but they have no authority to make final decisions. Any agreement reached with a Contractor must have USPS approval. Additionally, the approval must come from a Contracting Officer (CO) with adequate contracting authority. It is acceptable for a lessor to ask for a copy of the CO's Delegation of Authority.

A common issue for postal lessors is renewal of lease options. The USPS must exercise lease renewal options in strict compliance with the lease language. A change in any of the terms is not permitted with an option exercise; an attempt to make such a change in an exercise could result in an invalid option exercise and could open other terms for negotiation.



Steve Hurlbut, Ackerman, LLP.



Also, renewal of lease options must be completed within the period stated in the lease. Most leases give the USPS up to 30 days prior to the end of the lease term to exercise the option. Failing to meet this deadline eliminates the right of the USPS to exercise the option.

Steve also shared detailed information about filing three types of claims with the USPS Contract Board of Appeals. He discussed the normal procedure, the expedited procedure, and alternative dispute resolution. Should AUSPL members need to file a claim, contact the AUSPL office for a copy of Steve's Power Point presentation.

Important Maintenance Guidelines



Gary Phillips, AUSPL Board Member.

Gary Phillips, AUSPL Board Member, began his presentation on maintenance by saying, "The first rule is: **You need to know your building.**" Every building is unique. Gary also said that lessors need to know their maintenance responsibilities under their leases. He then proceeded to identify normal lessor and USPS maintenance responsibilities with regard to particular building components.

About half of postal leases include a Landlord Maintenance Rider, and the other half include a USPS Partial Maintenance Rider. However, in almost all situations, lessors are responsible for roofs, the structure, latent

... in almost all situations, lessors are responsible for roofs, the structure, latent defects, septic systems, and wells.

defects, septic systems, and wells. The 2017 lease gave lessors new maintenance obligations regarding repair of damage by wood eating insects, snow removal, site drainage, and building systems. Building systems include the electrical system, gas lines, fire lines, pipes inside walls, the main sewer line, and water lines.

Mold and environmental issues are usually the responsibility of the USPS if the USPS has partial maintenance. However, mold arising from a pinhole leak in a pipe inside the wall would arise from a failure in the building's water system, making the lessor responsible for remediation.

Under either maintenance rider, **the USPS must maintain USPS installed equipment.** Examples of such equipment include dock lifts, ADA accessible improvements, automatic sliding doors and electromagnetic locks.

Accessibility upgrades such as handicap ramps or hand railings in older buildings were normally installed by the USPS under the 1990 Leased Space Accessibility Program. Lessors can either let the Postal Service know they are not responsible for maintaining those improvements, or they can let the USPS know when maintenance of the improvements is necessary. However, if a new lease (not just a renewal) has been signed since the USPS installed the equipment, the new lease has likely transferred maintenance responsibility to the lessor. Therefore, a lessor should always check for new equipment in the facility prior to signing a new lease. Adding language to continue the USPS's duty for maintaining the equipment may be necessary.



Handicap ramp on Hanover, NM post office.



Handicap parking space.

THE IMPORTANCE OF A FINANCIALLY STRONG US POSTAL SERVICE FOR THE COUNTRY



Pat Donahoe, Postal Realty Trust.

Patrick Donahoe of Postal Realty Trust, a former USPS Postmaster General, opened by affirming the importance to the nation of a financially strong US Postal Service.

He discussed three things that will improve the USPS's financial situation: The new Postal Service Reform Act of 2022, direct mail, and package mail.

The **Postal Service Reform Act of 2022** integrates postal employees into the Medicare system. This change allows forgiveness of the USPS's related long term liability of \$58 Billion, and to be forgiven for a portion of the liability for retired employees not covered by Medicare. These changes will improve both the USPS's Balance Sheet and its Income Statement.

The **value of direct mail** was recently researched by SG360, a marketing company for which Mr. Donahoe is a Director. Their recent survey of 400 marketing firms and 1,000 consumers produced four findings:

- ★ **People suffer from digital fatigue. They are tired of online ads and advertising emails.**
- ★ **70% of consumers had positive feelings about direct mail.**
- ★ **Mail still represents 50% of revenue for the USPS**
- ★ **Younger people value mail. The largest group that buys based on direct mail is composed of Millennials and Gen Z's.**

Package mail volumes continue to increase for the USPS. That is due in large part to Amazon's use of the USPS, which has increased volume and increased the USPS's cachet. People believe that if Amazon uses the USPS, the USPS must be good. That idea has been good for all types of US mail.

The USPS has a new service called Connect – Local. This service allows small businesses across the country to get same-day or next-day service at the US Postal Service. This increases the foot traffic in small post offices, and therefore their value.

Mr. Donahoe foresees a brighter financial future for the USPS based on the combined effect of legislation, direct mail and package mail.





United States Post Office



Thanks to All Lessors for Helping Get Postal Reform Legislation Passed!

Harry Glenn, AUSPL's long-time advisor in Washington D.C., has been instrumental in navigating postal reform legislation. Harry spoke on the contents of The Postal Service Reform Act of 2022 (H.R. 3076), and its benefits to lessors.

The legislation will save the USPS money by allowing retiring postal employees to participate in Medicare rather than the USPS healthcare plan. USPS employees pay into Medicare while working and are eligible for its benefits. This change alone is projected to save \$36 billion. Also, the USPS has had to prefund 75% of retirement and health benefits. No other business or agency has been required to fund health and retirement at such a high percentage. H.R. 3076 repeals that requirement, saving the USPS \$5 billion annually.

Additionally, the Act allows the USPS to provide additional services at post offices, including services for state and local governmental agencies and tribes. These services will bring foot traffic and enhance revenue at retail postal facilities.

Harry congratulated all postal lessors for working on what he called "The most bi-partisan bill to pass recently." This bill will save the USPS between \$45 billion and \$60 billion annually. It has set the USPS on a secure financial footing, created the ability to revitalize post offices and recapitalize the fleet of vehicles, including the possibility of building electric vehicle charging stations at post offices.



Harry Glenn, Van Scoyoc Associates, Inc.



POSTAL LESSORS AND THE FUTURE OF THE USPS



Jon Otterberg has run many companies in his career. And he has spent time studying Postmaster General DeJoy's 10-year plan, *Delivering for America*. Jon shared how the plan impacts lessors.

Delivering for America has seven steps

- ★ **Becoming profitable**
- ★ **Becoming environmentally friendly**
- ★ **Modernizing vehicles and infrastructure**
- ★ **Revitalizing post offices**
- ★ **Strengthening the delivery network**
- ★ **Optimizing processing capabilities for mail and packages**
- ★ **Updating First Class mail service**

How Does This Affect Postal Lessors? According To Delivering For America:

Delivering for America includes big plans for retail postal facilities. The plan includes making postal facilities retail hubs for local business growth by including pop-up kiosks in the local post office, offering convenience features such as printing, packing, and improved parcel locker services.

Additionally, plans include public trust services such as a passport services, fingerprinting, in-person proofing and notary service. The goal is that the local post office will become the storefront for government services and generate new revenue and additional foot traffic into retail facilities. The USPS has also tested postal banking services in four major east coast cities.

Jon addressed the misconception that mail service is being “slowed down” by new delivery standards. Jon’s perception is that some mail has always taken three to five days but has had a delivery standard of two to three days. The new delivery standard simply adjusts to the reality of delivery times.

Jon’s optimism for lessors about the future of the USPS is based on the USPS plan to revitalize postal facilities and make them a significant part of their communities.



Jon Otterberg, American Postal Infrastructure.



A VARIETY OF PERSPECTIVES ON QUESTIONS FROM POSTAL LESSORS

A highlight of several past conferences has been a panel composed of postal experts in diverse fields. This years' panel members answered questions from the crowd, and each giving a different perspective. This years' panelists were:

Keith LaShier, AUSPL Board President and former USPS VP

Kevin Hutchens, First Oklahoma Bank

Rafi Harel, Postal Realty Trust

Scott Stastny, American Postal Infrastructure

Mark Karolczyk, Director of Operations for AUSPL

Mark Dattel, AUSPL Board Member

Below: Mark Dattel, Mark Karolczyk, Rafi Harel, Keith LaShier, Scott Stastny, Kevin Hutchens.

Panelists responded to questions such as, **"Why are post offices a good investment?"**. All panelists' answers supported the value of investing in post offices. Rafi stated the USPS is a good tenant because, "they are long-term and stable." Mark Karolczyk pointed out there is no other tenant that can be found in the US Constitution. "There will be a postal service, and it will need facilities to operate from," he said. Keith LaShier discussed the multi-generational aspect of postal facility ownership. These are assets that pass on to children and grandchildren and continue to produce income for lessors.



Sheryl Wardlaw AUSPL member, asks questions of the panel.

Another conference attendee asked, **"Does the USPS exercise Purchase Options?"** The consensus was that though it has been rare in the past, and though USPS is exercising these more often, no one foresees this happening on a broad scale.

Keith LaShier advised lessors to check their lease for a Purchase Option and what type of purchase options it is, i.e. whether it is a fixed price option, fair market value option, or fair market value option based on a USPS appraisal. Some of these must be accepted as is, but in other situations the lessor can obtain a second appraisal. Call the AUSPL offices if help is needed.

The Panel discussion is an opportunity for lessors to obtain detailed advice from attorneys, lease experts, and bankers on topics important to the management of postal facilities.



Important Points to Consider When Reading the Lease!



Mark Karolczyk, AUSPL Director of Operations.

Mark Karolczyk, AUSPL Director of Operations and commercial real estate attorney can be counted on to provide valuable lease insights to conference attendees. Some of the highlights from this year's presentation covered the Property Tax Rider, Renewal Options, the 2019 Lease Addendum, and advice on lease negotiations.

An easily overlooked provision of the Tax Rider requires lessors to provide copies of any tax valuation notices to the USPS within ten days of receipt by the lessor. Failing to do that gives the USPS the right to reimburse only 75% of the property taxes owed. This is based on the right of the USPS to appeal excessive property taxes. The USPS uses the valuation notices, which come in advance of the property tax bill, to appeal the taxes within required time frames.

USPS and benefit the USPS. Since market rates are impossible to know in advance, renewal rates could be higher or lower than market rents. If the previously agreed rental rate under the option exceeds the market rental rate at the renewal time, the USPS will simply decline to exercise the option and renegotiate. On the other hand, if the option rental rate is lower than the then current market rental rate, the USPS will exercise the option and bind the lessor to a below market rent.

Mark also brought to the attention of lessors the fact that Renewal Options do not benefit Lessors. Options belong to the

In 2017 the USPS implemented a new lease form that is much more technical than older lease forms. Lessors need to read and understand their leases, including *notice periods – time frames in which certain rights must be exercised*. Failing to follow the lease language specifically and comply with those time frames could cause lessors to lose valuable rights.

The USPS currently uses two different lease forms; lessors should be aware of that and of the important differences between the forms. The 2017 lease form is used for properties with annual rents over \$25,000, and the newer "small building" lease form is for properties having annual rents under \$25,000. Significantly, the smaller lease does not include a lease Addendum while the 2017 lease form does. This Addendum makes changes negotiated by AUSPL to benefit lessors. Many of those same changes are incorporated in the language of the small building lease, making the Addendum unnecessary for that lease.

Mark advises lessors to negotiate the lease forms when necessary. However, the USPS claims the small building lease cannot be negotiated. If a lessor desires to negotiate lease language, the USPS will seek to use the 2017 lease form. Also, lessors who do not understand the lease after reading it should seek help from a person with leasing experience. The AUSPL website www.auspl.com has contact information for several consultants under the *Members Only* section.

In inflationary times, it is important to try to include rent escalators that will protect against rising lessor costs (e.g., maintenance costs, insurance costs, etc.). Most renewal terms are five years at a fixed rent, which does not allow for such protective rent increases. To accommodate those increases, lessors should estimate the rent for the five-year term and add an inflation factor for each of the following four years. Then add the five annual rents together and divide by five to determine the average annual rent that will take inflation into consideration. *See the example.*

Example with 8% inflation factor

| | |
|-------------|---------|
| Year 1 Rent | \$1,000 |
| Year 2 Rent | \$1080 |
| Year 3 Rent | \$1,166 |
| Year 4 Rent | \$1260 |
| Year 5 Rent | \$1360 |

| | |
|-------|---------|
| Total | \$5,866 |
|-------|---------|

divided by 5 = \$1,173 each year over the 5-year term

ASK THE EXPERTS!

Conference attendees look forward to solving problems during one-on-one time with postal leasing experts. Whatever the topic of concern, there is expert advice available. After registering for a conference, lessors can sign up for a 15-minute appointment with AUSPL Board members. During the appointment, lessors discuss issues causing concern. Whether the questions be about negotiating leases, working with EMCOR, getting taxes reimbursed, determining the responsible party for maintenance issues, or any other problem, lessors can get in-depth answers.

In advance of the appointment, lessors state the topic needing clarification, and then meet with a Board member experienced in that area of postal leasing. AUSPL advises lessors to come to the appointment with relevant documentation, including such things as the lease, letters from EMCOR, photos of damage, or letters from JLL.

Feedback from lessors is always positive. The valuable information received saves lessors money, time, and frustration. And the Board members love to help!



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Effective January 2022

USPS FACILITIES LEASING CONTACT INFORMATION

FORMAL NOTICES UNDER THE LEASE MUST BE SENT HARDCOPY TO THE PO BOX SHOWN BELOW:

EAST LEASING TEAM

P.O. Box 27497
Greensboro, NC 27498-1103

EAST TEAM handles Postal Facilities located in:

CT, DE, IL, IN, KY, MA, MD, ME, MI, NC, NH, NJ,
NY, OH, PA, RI, SC, TN, VA, VT, WI, WV, District of
Columbia and Caribbean Trust Territories.

WEST LEASING TEAM

P.O. Box 5527
Denver, CO 80217-5527

WEST TEAM handles Postal Facilities located in:

AL, AK, AR, AZ, CA, CO, FL, GA, HI, IA, ID, KS, LA,
MN, MO, MS, MT, NE, ND, NM, NV, OK, OR, SD, TX,
UT, WA, WY, and Pacific Trust Territories.

EASEMENTS & Right-of-Way Takings: Easements or right-of-way taking notices are handled by a special team and require Postal Service approval and release. Promptly notify the Postal Service upon receipt of an easement or right-of-way taking notice. Please allow sufficient time for the Postal Service to review the request. Please send requests to one of the following options:

USPSEasements@usps.gov **OR to the EAST / WEST Team PO Box address noted above.**

LEASING HELP: LEASING CENTRAL MESSAGE CENTER (EXCLUDES - Formal Notices)

Toll Free Number: 1-844-661-8729 | Central Email Box: USPSLeasing@usps.gov

When Contacting Facilities Leasing Please Include: (Found on the Lease, page 1)

- 1) Post Office Specific Location Information
Finance/ Property#: (xxxxxx-xxx)
Post Office Address: Street, City, State, ZIP
- 2) Landlord Contact Information
Landlord Name, Phone#, and Email Address

LEASE ADMINISTRATIVE ACTIONS: Property Tax Reimbursement, Common Area Maintenance (CAM) Reimbursement/ Reconciliation, Change of Address or Change of Ownership (COO) may be communicated through the Leasing Central Message Center or the PO Box Addresses shown above.

NOTE: ALL Formal Notices Under the Lease MUST be sent hard copy to the PO Box Addresses above.

TAX REIMBURSEMENT: Refer to the Instructions in your lease when requesting a tax reimbursement. Postal Service reserves a 30-day window for processing once all information is received.

CHANGE OF OWNERSHIPS (COO): Purchaser or Seller may request a COO package through the Leasing Central Message Center or through the PO Box Addresses above. Rent payments will go to the current owner of record until satisfactory evidence of change of ownership is received and the change is processed. It is the responsibility of the Purchaser and Seller to make any necessary rental proration.

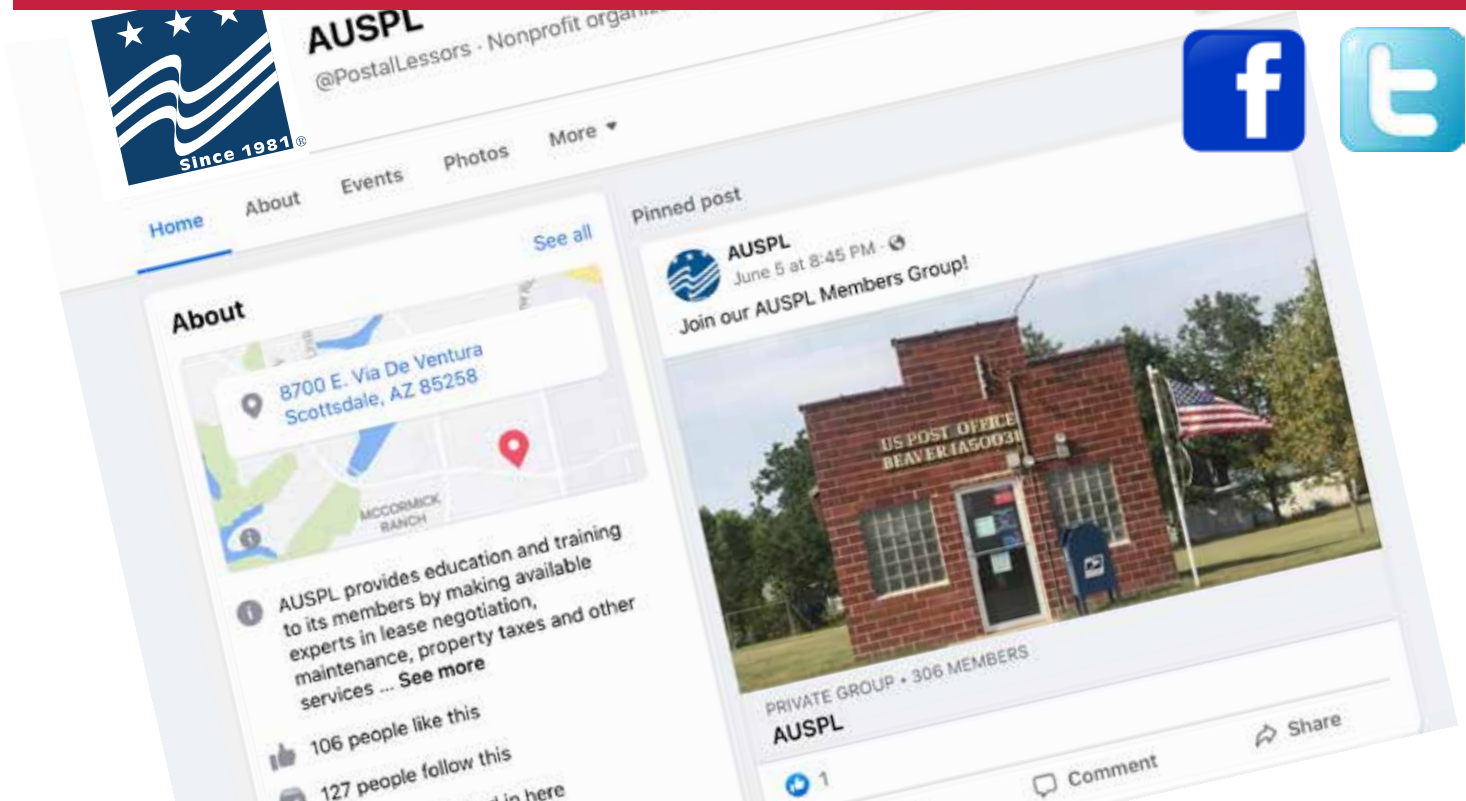


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