

## ATTACHMENT 1

As a delegated agency and per GSA Bulletin FMR C-2, GSA's Acquisition Manual (GSAM) is applicable to the Department of Veterans Affairs (VA) lease procurements. VA is deviating from the GSAM 501.603-1, specifically the definitions of "Lease Amendment" and "Total Lease Contract Value" per GSAM 501.603-1(a), as follows:

- Lease Amendment
  - GSAM Definition: "*Lease amendment*" includes the dollar value of Reimbursable Work Authorizations and is based on the absolute value of changes.
  - **VA Definition:** "*Lease amendment*" includes the dollar value of the lease amendment and is based on the absolute value of the changes.
- Total Lease Contract Value
  - GSAM Definition: "*Total lease contract value*" means the entire lease award amount at initial award, including the dollar value of option periods and excluding the dollar value of Reimbursable Work Authorizations for tenant improvements that are above standard agency tenant improvement allowances.
  - **VA Definition:** "*Total lease contract value*" means the entire lease award amount at initial award, including the dollar value of option periods plus any lump-sum and/or amortized tenant improvement costs reflected in the rent schedule. Lump-sum tenant improvement costs based on allowances and definitized post-award/post-design are computed based on the lease ABOA SF and allowance value.

Need for Deviation:

GSA's Tenant Improvement Allowance (TIA) is captured as amortized rent in GSA's TLCV computation based on TIA tiers. Tenant Improvements (TIs) above TIA tiers are negotiated post-award via lease amendment and are paid through Reimbursable Work Authorizations (RWAs).

VA does not use RWAs nor does VA have established TIA tiers.

VA's rent payment calculations should include any amortized TI, whether calculated as an allowance or an estimated amount.

For VA executed lease procurements, the TIs should be part of the total lease contract value calculation, whether amortized or paid lump-sum because the VA LCO's signature on the lease obligates the VA to the total dollar value outlined in the lease, the award of which would be the "individual transaction" per GSAM 501.603-1.

Initial TIs should not be considered a separate action because upon lease award, there is either a pre-negotiated turnkey amount or an allowance, which is later definitized/negotiated through the design process but is accounted for in the rent schedule at initial award. Should the post-award design result in an increase in TIs, the increased amount must be considered when determining the lease amendment value.

For VA's SLAT lease procurements, a Level I LCO can process the initial award provided both the following conditions are met<sup>1</sup>:

- Net average annual unserviced rent is SLAT or below. To determine the net average annual unserviced rent, take the total of the annual rent payments and any amortized TI, exclude the cost of services (i.e., operating costs) and divide by the number of years in the term, including option periods.
- TLCV does not exceed \$10,000,000, based on VA's definition above.

To assist VA leasing officials with applying Total Lease Contract Value (TLCV) and Lease Amendment values to VA's lease program, including how to apply warrant values, the following clarifications and examples are provided.

Lease Award Examples<sup>2</sup>:

- 15-year lease
  - \$270,000 annual full-service rent, includes amortized TIs
  - \$235,000 annual average unserviced rent, includes amortized TIs
  - TLCV = \$4,050,000
  - Level I – Simplified LCO Warrant required for initial award (Below SLAT & TLCV <\$10MM)
- 20-year lease
  - \$245,000 annual full-service rent
  - \$152,500 annual average unserviced rent
  - \$935,835.30 lump-sum turnkey TI
  - TLCV = \$5,835,835.30
  - Level I – Simplified LCO Warrant required for initial award (Below SLAT & TLCV<\$10MM)
- 10-year lease
  - \$600,000 annual full-service rent
  - \$1,800,000 lump-sum turnkey TI
  - TLCV = \$7,800,000
  - Level II – Intermediate LCO Warrant required for initial award (Above SLAT & TLCV<\$10MM)
- 10-year lease
  - \$961,096.20 annual full-service rent, includes amortized TIs
  - TLCV = \$9,610,962
  - Level II – Intermediate LCO Warrant required for initial award (Above SLAT & TLCV<\$10MM)

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<sup>1</sup> Per GSAM 501.603-1(c)(5)(iv)

<sup>2</sup> For computation purposes, rent is fixed throughout term

- 20-year lease
  - \$961,096.20 annual full-service rent, includes amortized TIs
  - TLCV = \$19,221,924
  - Level III – Unlimited LCO Warrant required for initial award (Above SLAT & TLCV>\$10MM)
  
- 20-year lease
  - \$3,833,337 annual full-service rent
  - \$9,198,283.60 lump-sum TI estimate
  - TLCV = \$85,865,023.60
  - Level III – Unlimited LCO Warrant required for initial award (Above SLAT & TLCV>\$10MM)

Lease Amendment Examples:

- 10-year SLAT lease
  - LA to memorialize TI cost increase from \$550K to \$850K
  - \$300,000 TI lease amendment value
  - Level II – Intermediate LCO Warrant required (Absolute value >\$250k)
  
- 20-year lease with original TLCV \$19,221,924
  - LA to issue NTP and memorialize post-design TI increase from \$2.5M to \$2.74M
  - \$240,000 lease amendment value
  - Level I – Simplified LCO Warrant required (Absolute value <\$250k)
  
- 20-year lease with original TLCV \$19,221,924
  - LA to issue NTP and memorialize post-design TI decrease from \$3.5M to \$3M
  - \$500,000 lease amendment value
  - Level II – Intermediate LCO Warrant required (Absolute value >\$250k)
  
- 20-year lease with original TLCV \$36,500,000
  - LA to memorialize post NTP user requested changes
    - TI increase of \$650,000 due to added work
    - TI decrease of \$115,000 due to deducted work
  - \$765,000 lease amendment value<sup>3</sup>
  - Level II – Intermediate LCO Warrant required (Absolute value >\$250k)

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<sup>3</sup> For lease amendments including both additions and deductions, the aggregate, absolute value of the changes determines the lease amendment value and associated warrant level required. Refer to GSAM 501.603-1 (c)(5)(iii).