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General Services Administration  
Public Buildings Service  
Washington, DC 20405

PQRP-93-03

MEMORANDUM FOR ALL REAL PROPERTY ACTIVITIES  
(PQRP DISTRIBUTION LIST)

FROM: ROBERT J. DILUCHIO  
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FOR REAL PROPERTY DEVELOPMENT - PQ

SUBJECT: Amendments to the Building Purchase Program Policy  
(BPPP) Acquisition Letter PQRP-89-09, dated  
October 6, 1989

1. Purpose. This acquisition letter amends the BPPP in response to a General Accounting Office (GAO) report.
2. Background. As a result of a GAO report to assess the effectiveness of the General Services Administration's (GSA's) Building Purchase Program and the GSA's response thereto, the Office of Inspector General has recommended some additional steps needed to clarify and more fully address the GAO's recommendations. These additional measures include incorporating within the BPPP a limitation on the maximum purchase price to be paid for a building to a percentage of its appraised value, specifying the instances when estimating, negotiation and payment for the cost of special requirements would occur post award, and recognizing that a higher economic advantage may be required for leveraged purchases.
3. Effective Date/Expiration Date. This acquisition letter is effective immediately upon issuance and will expire 12 months from the date thereof, unless extended or otherwise cancelled.
4. Cancellation. None.
5. Applicability. This acquisition letter applies to all real property activities which acquire fee title to real property through the building purchase program.
6. Instructions/Procedures. Instructions and Procedures are attached.

Attachments

INSTRUCTIONS AND PROCEDURES  
Amendments to the Building Purchase Program Policy

1. All changes to the text are shown in **boldface print**. In the cover letter of Acquisition Letter PQR-89-09, dated October 6, 1989, add a new paragraph at the end of paragraph 5C. Procurement Documents on page 3 as follows:

"The estimation, negotiation and payment for the cost of the special requirements shall occur post award in the following instances:

- a. When the scope of the work for the special requirements has yet to be defined or is ill defined at the time of building purchase.
- b. When the housing plan for the building has changed.
- c. When the tenant agency or agencies have not committed or secured the funding for the special requirements prior to award."

2. Substitute pages 6-11 of Attachment 2 for pages 6-10 of TAB A: ACQUISITION/PROCUREMENT PROCEDURES. The changes to the procedures are summarized as follows:

o On pages 6, 7 and 10, additional guidance is provided on performing the economic analysis required for leveraged purchases.

o On page 8, regions are given authority to purchase real property at an agreed purchase price which does not exceed the approved appraisal value by 15 percent. Proposed acquisitions at a price greater than 15 percent of the approved appraisal shall be referred to the Central Office for approval.

Attachment 2

Substitute pages 6--11 for pages 6--10 of TAB A:  
ACQUISITION/PROCUREMENT PROCEDURES

Generally the total purchase price to be negotiated will include:

(1) Basic SFO requirements (including standard tenant build out or finish, i.e., unit costs).

(2) Retrofit items related to the SFO.

(3) Agency special requirements (above standard finish) as defined in the SFO or an allowance for above standard finish (\$5-\$15 per square foot).

Note: The total purchase price is the figure required by Planning for submission to OMB and shall represent all costs associated with preparing the building for occupancy. If the final contract to be negotiated does not include all of these items, realistic estimates of costs must be made to be used in developing a total purchase cost and allocation of funds from the Building Purchase Account. Inadequate estimating will result in a shortfall in building purchase funds available to prepare the building for occupancy and result in costly delays. Additional funding may have to come from other accounts which have not been budgeted for the specific building purchase.

(13) Evaluate Best and Final Offers. Evaluate best and final offers to identify the potential building purchase. Immediately, order the contract appraisal, Preliminary Report of Title and Survey, and get information on Title Insurance.

(14) Submit Building Purchase Proposal Package to the Office of Planning (PL). The documentation must contain a housing plan with current and proposed occupancy, and an Economic Analysis (See Automated Prospectus System TAPS Users Guide). The economic analysis compares the proposed purchase, including all associated costs, such as retrofit and initial space alterations, to other housing alternatives. The other alternatives included in the analysis are the feasibility of leasing and the construction of a new building, as a minimum. If the building is proposed as part of a consolidation that includes the future leasing of additional buildings or options to purchase additional buildings, the regions must analyze a reasonable number of the possible combinations of purchases and leases, as well as other feasible alternatives for achieving the consolidation goals, including construction of the entire complex. The purpose is to ensure that viable alternatives are analyzed and considered during the decision-making process.

The level of uncertainty or risk associated with the proposal must be considered when comparing the economics of the proposal to other housing alternatives. Proposals that are complex, or have uncertainties surrounding major assumptions which could have an impact on meeting the overall housing objectives, may have to demonstrate a higher economic advantage. Major assumptions

include future tenant space requirements, market rates, occupancy schedules, completion dates for future buildings, timeliness of local governmental approvals, etc. Documentation will also include a summary of the space situation in the community and a justification of why the proposed purchase is the best alternative. A sample building purchase request is included as TAB D.

Data and information included in the building purchase request must be supported by an appraisal, an engineering evaluation, market survey or initial screening report, and a management plan. The management plan will identify, schedule and assign responsibility for the work to be done to prepare the building for occupancy.

(15) Negotiate Hold Back Amount (if applicable). If the proposed seller will perform tenant build-out, specials, and retrofit items as a part of the contract, then it is necessary to finalize the holdback amount. For new buildings, ensure that the basic building has been completed. If not, D&C staff should estimate the value of work not yet completed. This should be added to the value of tenant finish to be completed, specials allowance, and retrofit items.

D&C staff should assist in negotiating time frames for completion and liquidated damage amounts or other penalties to be included in the contract in order to ensure timely completion.

(16) Prepare Price Negotiation Memorandum (PNM). The PNM should give a summary of the actions and describe negotiations and the results of each session. The PNM should reference the estimates, market data and competitive offers and tell how they relate to the outcome. The major consideration on price evaluation is its reasonableness. Reasonableness of price will be fully discussed, developed and supported by factual information in the PNM. Where there is a significant variance between the appraisal and the final negotiated price, the contracting officer may request a second appraisal or consultant's report. Otherwise, variances between the negotiated price and the appraisal are to be fully discussed and supported in the PNM. This should include market or other authoritative data which points out incorrect information or inappropriate assumptions or adjustments in the Appraisal Report.

The PNM will reflect the total cost of the building both direct (described in the contract and included in stated contract price), and indirect (concessions or deletions in requirements and any other items including deferred costs, rental concessions, or any items which can be translated into monetary value). For GSA evaluation purposes, the appraisal figure may be adjusted by adding the cost of retrofit items, i.e., those items which are unique Government requirements and which would not usually

generate a higher price to the private investor; and the cost of tenant finish items which exceed normal industry standards, including any special allowance amount required by the SFO. The appraisal value is to be adjusted downward when the appraisal value includes assumptions that are not reflected in the final negotiated contract terms. The Chief Appraiser will concur on adjustments.

Regions are authorized to consummate the acquisition of real property at an agreed purchase price which does not exceed the approved appraisal value by 15 percent. Regions shall forward their recommendations to the Central Office (Office of Real Property Development - PQ) for approval for any proposed acquisition they consider to be reasonable, but for which the purchase price exceeds the 15 percent limitation over the approved appraisal value. The submission to PQ shall consist of the region's official rationale for the acquisition, a copy of the Negotiation Record, GSA Form 1848, together with a signed copy of the Real Estate Purchase Agreement, or GSA Form 1226, Contract to Sell Real Property, a copy of all appraisal reports with review attachments, and any additional material to support the recommendation.

(17) Approval of Recommended Purchase. Prepare the contract and include all terms and conditions of the best and final offer. Submit a copy of the proposed contract and draft clearance package to PQ for review and comment. Resolve issues raised by PQ and send the contract to the offeror for signature. The transmittal letter shall state that the contract is subject to approvals and funding. After the contract is signed by the Seller, a contract package will be prepared by the region for clearance and a recommendation letter from the Regional Administrator will be submitted to the Commissioner of PBS for concurrence and approval of the purchase.

The contract package will contain copies of at least the following:

- (a) Housing Plan and any alternatives
- (b) A-104 Study
- (c) Advertisements
- (d) Market Survey/Initial Screening Report
- (e) Individual negotiation session notes
- (f) Summary of Negotiations
- (g) Appraisal
- (h) Engineering reports and summary
- (i) All independent estimates
- (j) Existing non-Government leases in the building
- (k) Price Negotiation Memorandum
- (l) Report of Title and Title Opinion and Survey
- (m) Concurrence by Commissioner of PBS, Legal Counsel and clearances

- (n) Signed Contract Document and attachments signed by offeror.

(18) Settlement: After approval by the Commissioner PBS, the Contracting Officer will forward the signed contract to the offeror and arrange for settlement. The final Report of Title is to be ordered along with final survey and Title Insurance. The payment/funding documents are to be prepared (see formats attached). Regional Counsel will develop the Schedule B. (Permitted exceptions, if applicable). Regional Counsel will prepare the general warranty deed.

C. Procedures for Sole Source Actions.

(1) Following approval to proceed from the Office of Facility Planning the Contracting Officer will request a preliminary appraisal report from the regional appraiser.

(2) Advertisement. See Competitive Procedures, paragraph (1) for further details. The advertisement is recommended for sole source actions. It is intended to identify buildings similar to the one being considered so that market data can be obtained.

(3) Market Survey/Initial Screening. The market survey will not have to be as detailed as the survey for competitive actions. However, the sites should be visited and compared to subject location. The report can be just the narrative, but should address such items as the size of the buildings offered, location, age, appearance, condition, rental rates and asking price. In addition, the survey should cover the required community data which will be used in the Screening Report for OMB submission.

The survey will either support the decision to proceed with a sole source negotiation or it may identify one or more available buildings which provide similar or superior advantages to the building under consideration.

(4) Decision: Sole Source or Competitive. If additional candidate buildings are identified during the market survey, then proceed with paragraph B(4) of Procedures for Competitive Actions.

REQUESTS FOR THE FOLLOWING STEPS 5 THROUGH 7 MAY BE PLACED WHILE THE MARKET SURVEY IS IN PROGRESS:

(5) Contract Appraisal: See 4D.

(6) Technical Inspections: See Competitive Procedures, paragraph 8 for details.

(7) Preliminary Report of Title and Survey: See General Guidelines 4E.

(8) Screening Report: When the results of (5) and (6) above are received, the Screening Report can be completed for submission to Central Office Planning. This will form the basis of a submission to PL for funding approval. See Competitive Procedures, paragraph B (4) for further details.

(9) Develop Specification Package for submission to the offeror. The specification package is prepared as described in Competitive Procedures, paragraph (6). The total SFO Section is not necessary and, of course, there are no source selection factors. It is necessary, however, to include the certifications for asbestos, etc.

(10) Submit building purchase proposal package to the Office of Planning (PL). The documentation must contain a housing plan with current and proposed occupancy, and an economic analysis (See Automated Prospectus TAPS users guide). The economic analysis compares the proposed purchase, including all associated costs, such as retrofit and initial space alterations, to other housing alternatives. The other alternatives included in the analysis are the feasibility of leasing and the construction of a new building, as a minimum. If the building is proposed as part of a consolidation that includes the future leasing of additional buildings or options to purchase additional buildings, the regions must analyze a reasonable number of the possible combinations of purchases and leases, as well as other feasible alternatives for achieving the consolidation goals, including construction of the entire complex. The purpose is to ensure that viable alternatives are analyzed and considered during the decision making process.

The level of uncertainty or risk associated with the proposal must be considered when comparing the economics of the proposal to other housing alternatives. Proposals that are complex, or have uncertainties surrounding major assumptions which could have an impact on meeting the overall housing objectives, may have to demonstrate a higher economic advantage. Major assumptions include future tenant space requirements, market rates, occupancy schedules, completion dates for future buildings, timeliness of local governmental approvals, etc.

Documentation will also include a summary of the space situation in the community and a justification of why the proposed purchase is the best alternative. A sample building purchase request is included as TAB D.

Data and information included in the building purchase request must be supported by an appraisal, an engineering evaluation, market survey or initial screening report, and a management plan.



The management plan will identify, schedule and assign responsibility for the work to be done to prepare the building for occupancy.

(11) Negotiation strategy is developed as in Competitive Procedures, paragraph (11).

(12) Negotiations are to be conducted using the same guidelines as in Competitive Procedures, paragraph (12).

(13) Best and Final Offer Request: While it is not mandatory to request a best and final offer for a sole source action, it is recommended that the offeror put his complete best offer in writing so that it may be relied upon in preparing the contract document. It will also preclude misunderstandings as to what was agreed to between the parties for the final terms, conditions and prices.

See Competitive Procedures section for all other procedures including ordering Final Report of Title, Title Insurance, approvals, funding documents, inspections to determine additional holdback, and settlement arrangements. PROCEDURES FOR COMPETITIVE ACTION, (paragraphs 14-18).