

**PROSPECTUS – LEASE
DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC**

Prospectus Number: PDC-04-WA18

Executive Summary

The General Services Administration (GSA) proposes a lease of approximately 173,000 rentable square feet (RSF) of space for the Department of the Treasury–Internal Revenue Service (IRS), currently located at 77 K Street NE and 999 N. Capitol Street NE, Washington, DC.

The proposed lease will enable IRS to provide continued housing and will significantly improve space utilization. The office utilization rate will be reduced from 174 to 139 usable square feet (USF) per person, and the overall utilization rate from 253 to 201 USF per person.

Description

Occupant:	Internal Revenue Service
Current RSF:	205,793 (Current RSF/USF = 1.16)
Estimated Maximum RSF ¹ :	173,000 (Proposed RSF/USF = 1.20)
Reduction RSF:	32,793
Current USF/Person:	253
Estimated Usable Square Feet/Person:	201
Expiration Dates of Current Lease(s):	12/30/2020 and 12/22/2021
Proposed Maximum Leasing Authority:	20 years
Delineated Area:	Washington, DC, Central Employment Area
Number of Official Parking Spaces:	5
Scoring:	Operating Lease
Current Total Annual Cost:	\$8,948,016 (leases effective 12/31/2010 and 12/23/2011)
Estimated Rental Rate ² :	\$50.00 / RSF
Estimated Total Annual Cost ³ :	\$8,650,000

¹ The RSF/USF at the current location is approximately 1.16; however, to maximize competition a RSF/USF ratio of 1.20 is used for the estimated proposed maximum RSF as indicated in the housing plan.

² This estimate is for fiscal year 2020 and may be escalated by 2.0 percent annually to the effective date of the lease to account for inflation. The proposed rental rate is fully serviced including all operating expenses, whether paid by the lessor or directly by the Government. GSA will conduct the procurement using prevailing market rental rates as a benchmark for the evaluation of competitive offers and as the basis for negotiating with offerors to ensure that lease award is made in the best interest of the Government.

³ New leases may contain an escalation clause to provide for annual changes in real estate taxes and operating costs.

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Justification

The current leases expire on December 30, 2020, and December 22, 2021. IRS has a continuing housing need to support the Nation's tax collection effort. IRS also expects to realize cost and space reductions through this prospectus lease action. The following IRS sub-groups are currently located at 77 K St. NE: the IRS' Chief Financial Office is on the 6th floor; the Large Business & International (LB&I) and the Small Business/Self-Employed Groups are on the 5th floor; the National HQ and Research & Analysis Groups are on the 4th and 3rd floors, respectively; Procurement, IT Site Support Office, and Tax Exempt & Government Entities are all on the 2nd floor; and the Taxpayer Assistance Center, National Taxpayer Advocate-HQ, and Facilities Management & Security Services Groups are on the 1st floor.

IRS plans to move LB&I employees from its leased location at 999 N. Capitol St. NE and added new employees in fiscal year 2017, resulting in an increased headcount and improved utilization in the proposed location. In the absence of the proposed reduction in square footage, the continued occupancy at the proposed market rental rate would be \$10,289,650 per year.

Summary of Energy Compliance

GSA will incorporate energy efficiency requirements into the Request for Lease Proposals and other documents related to the procurement of space based on the approved prospectus. GSA encourages offerors to exceed minimum requirements set forth in the procurement and to achieve an Energy Star performance rating of 75 or higher.

Resolutions of Approval

Resolutions adopted by the House Committee on Transportation and Infrastructure, and the Senate Committee on Environment and Public Works approving this prospectus will constitute approval to make appropriations to lease space in a facility that will yield the required rentable area.

Interim Leasing

GSA will execute such interim leasing actions as necessary to ensure continued housing of the tenant agency prior to the effective date of the new lease. It is in the best interest of the Government to avert the financial risk of holdover tenancy.

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Certification of Need

The proposed project is the best solution to meet a validated Government need.

November 13, 2018

Submitted at Washington, DC, on _____

Recommended: _____



Commissioner, Public Buildings Service

Approved: _____



Administrator, General Services Administration