

**PROSPECTUS – LEASE
INTERNAL REVENUE SERVICE
COVINGTON, KY**

Prospectus Number: PKY-01-CO21
Congressional District: 4

Executive Summary

The General Services Administration (GSA) proposes a lease for approximately 413,446 rentable square feet (RSF) for the Internal Revenue Service (IRS), currently located in Gateway Center at 333 Scott Street and in Gateway Center West at 3rd and Madison Avenue in Covington, KY, under a lease that expires on July 31, 2024.

The lease will provide continued housing for the IRS and will maintain the office and overall utilization rates at 115 and 162 usable square feet (USF) per person, respectively.

Description

Occupant:	Internal Revenue Service
Current RSF:	413,446 (Current RSF/USF = 1.14)
Estimated/Proposed Maximum RSF:	413,446 (Proposed RSF/USF = 1.14)
Expansion/Reduction RSF:	None
Current USF/Person:	162
Estimated/Proposed USF/Person:	162
Expiration Dates of Current Lease(s):	7/31/2024
Proposed Maximum Leasing Authority:	20 years
Delineated Area:	Central Business District of the City of Covington, defined as: North – Ohio River South – Martin Luther King, Jr. Blvd. East– Scott Blvd. West – Railroad tracks
Number of Official Parking Spaces:	7
Scoring:	Operating
Current Total Annual Cost:	\$9,185,498 (lease effective 8/1/2014)
Estimated Rental Rate ¹ :	\$23.86 / RSF
Estimated Total Annual Cost ² :	\$9,864,821

¹ This estimate is for fiscal year 2024 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.

² New leases may contain an escalation clause to provide for annual changes in real estate taxes and operating costs.

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Background

The IRS's mission is to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. Based on the tax laws passed by Congress, the IRS's role is to help the large majority of compliant taxpayers with the tax law, while ensuring that the minority who are unwilling to comply do pay their fair share.

The Gateway Center leased buildings primarily house IRS's Accounts Management Group as well as a large call site operation. Originally, these buildings functioned as support to the federally owned IRS Service Center located at 200 W. 4th Street. In September 2016, IRS decided to downsize their agency footprint by ramping down operations in various cities, including the federally owned Covington Service Center facility. IRS vacated the Service Center facility at the end of December 2019. The remaining operations from this facility were absorbed into their space within the Gateway Center and Gateway Center West leased buildings as well as their IRS Annex lease located at 7940 Kentucky Drive in Florence, KY.

Justification

Due to the existing level of adequate available space, dock facilities, parking, and advantageous proximity to major highways and interstates, as well as the anticipated high cost to relocate security, modernization and information technology services, furniture and equipment, and a large quantity of files and documents, GSA will consider whether IRS's continued housing needs should be satisfied in the existing location based on an analysis of other potential locations in the delineated area. If other potential locations are identified, a cost-benefit analysis will be conducted to determine whether the Government can expect to recover the relocation and duplication costs of real and personal property needed for IRS to accomplish its mission.

The current lease located in Gateway Center at 333 Scott Street and in Gateway Center West at 3rd and Madison Avenue in Covington, expires on July 31, 2024. IRS requires continued housing to carry out its mission.

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.

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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 are necessary to ensure continued housing of the tenant agency prior to the effective date of the extension. It is in the best interest of the Government to avert the financial risk of holdover tenancy.

Certification of Need

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

Submitted at Washington, DC, on 8/25/2020

Recommended: 
Commissioner, Public Buildings Service

Approved: 
Administrator, General Services Administration