



General Services Administration
Public Buildings Service
Washington, DC 20405

JUL 3 1996

PER-96-03

MEMORANDUM FOR ALL REAL PROPERTY LEASING ACTIVITIES
(PER DISTRIBUTION LIST)

FROM: HILARY PEOPLES *Hilary Peoples*
ASSISTANT COMMISSIONER FOR
COMMERCIAL BROKER - PE

SUBJECT: Appraisal Requirements for Lease Acquisition

1. Purpose. This acquisition letter modifies existing leasing business practices regarding appraisals for lease acquisitions in the redesigned GSA real estate program.
2. Background.
 - a. An appraisal, performed by GSA's Appraisal Staff or by an outside contractor, has generally been required to support negotiated contract rentals for leases of significant contract value. However, a contracting officer is often well into or finished with negotiations before the appraisal is provided, although, in limited cases, appraisals are provided early enough to be used as a negotiating tool. Acquiring an appraisal is a time-consuming and expensive process and is not a common industry practice for lease acquisitions. Accordingly, the requirement for an appraisal is eliminated by this acquisition letter.
 - b. Notwithstanding the above, under certain circumstances the Truth in Negotiations Act (TINA), 41 U.S.C. 254b, may cause us to perform appraisals. TINA requires offerors to submit cost or pricing data when adequate price competition does not exist for leases having a total contract value greater than \$500,000. In such circumstances, the market price exemption from this requirement may be applied based upon market survey information or an appraisal. (See FAR 15.804 and GSAR 570.204-4 for more details and definitions.) When the cost or pricing data provisions of TINA are triggered and no market price information is available, for example for border stations or laboratories, we would want to have an appraisal prepared instead of requiring lessors to submit cost or pricing data.
3. Effective Date/Expiration Date. These instructions are effective upon receipt in real estate activities, and will expire 12 months from the date of issuance, unless canceled or extended.
4. Cancellation. None.
5. Applicability. All real property leasing activities.

6. Instructions/Procedures.

- a. The general requirement for appraisals to support lease acquisitions is hereby eliminated, except as provided in b, below.
- b. When the total cost of a lease exceeds \$500,000, TINA requires cost and pricing data to be obtained unless there is adequate price competition or market price information is available. The market price exemption from submission of cost or pricing data may be applied to proposed leases where there is evidence that the price is based on an established market price for similar space leased to the general public. A market survey and/or an appraisal may be used as evidence to establish the market price. (See FAR 15.804-1 and GSAR 570.204-4.)
- c. The elimination of the requirement for appraisals does not preclude the contracting officer from obtaining an appraisal when appraisal information is needed.
- d. The elimination of the requirement for appraisals to support lease acquisitions does not apply to the procedures for establishing Federal Building Fund Rent rates.