

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

Prospectus Number: PKY-01-C012  
Congressional District: 4th

**Executive Summary**

The General Services Administration (GSA) proposes a replacement lease of up to 414,000 rentable square feet (RSF) for the Internal Revenue Service (IRS) in Covington, KY. IRS is currently housed under one lease in the Gateway Center East Building and three leases in the Gateway Center West Building, having occupied space in these buildings since 1993 and 2002, respectively. The proposed replacement lease will allow for the continued support of IRS's mission and operations at the Cincinnati Service Center, while a long term space solution can be developed for the entire Cincinnati IRS Service Center complex. These leases primarily house IRS's Accounts Management Group, as well as a large call site operation for one of two Business Tax Return Submission Processing centers in the nation.

The proposed increase in the annual cost of leasing space to meet the IRS requirements reflects the adjustment to current market rent of expiring leases that have been in effect since the end of 1993 and the beginning of 2002. The proposed maximum rentable square feet does not represent expansion space but the amount of space needed to provide 359,745 USF as indicated on the housing plan in buildings having a more representative market  $RSF/USF = 1.15$ , than the current  $RSF/USF$  estimated at 1.03.

**Description**

Occupant:	IRS
Lease Type:	Replacement
Current Rentable Square Feet (RSF):	369,224 (Current $RSF/USF=1.03$ )
Maximum Rentable Square Feet:	414,000 (Market $RSF/USF=1.15$ )
Expansion Space <sup>1</sup> :	None
Current Usable Square Feet/Person:	149
Proposed Usable Square Feet/Person:	149
Proposed Maximum Leasing Authority:	10 years
Expiration Dates of Current Leases <sup>2</sup> :	01/01/12, 02/29/12, 11/30/13
Proposed Delineated Area:	Central Business District
Number of Official Parking Spaces:	3

<sup>1</sup>The  $RSF/USF$  of the buildings currently occupied by IRS equals 1.00 and 1.08 respectively, or an average of 1.03.

<sup>2</sup> The current leases have executable termination rights.

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Scoring:	Operating Lease
Maximum Proposed Rental Rate <sup>3</sup> :	\$22.00
Proposed Total Annual Cost <sup>4</sup> :	\$9,108,000
Current Total Annual Cost:	\$6,999,440 (leases effective 1993 and 2002)

**Acquisition Strategy**

GSA may satisfy this requirement through a single award solicitation or as part of a multiple award solicitation. GSA will consider offers and alternatives from both IRS's current leased locations as well as newly proposed locations within the designated delineated area.

**Background**

The Cincinnati IRS Service Center is one of two Business Tax Return Submission Processing centers in the nation, primarily responsible for processing Employment Tax returns. In 2008, the Cincinnati Campus, which houses more than 5,000 employees, processed approximately 25 million tax returns in total, including paper and electronically filed returns. The Service Center is comprised of a federally-owned IRS Service Center, located at 200 West Fourth Street in Covington, the four leases at the Gateway Center in Covington: one in the Gateway Center East Building located at 333 Scott Street, and three in the Gateway Center West Building located at 3<sup>rd</sup> and Madison Avenue, along with 2 leases in Florence, Kentucky.

**Justification**

IRS and GSA are currently engaged in analysis to determine the future of IRS operations in Covington, which may result in a future prospectus level request to address the agency's long term needs. In the interim, IRS will need to continue their current leased operations in Covington until a final all-encompassing strategy in Covington, KY is selected, approved, and implemented.

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<sup>3</sup>This estimate is for fiscal year 2013 and may be escalated by 1.7 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.

<sup>4</sup>Any new lease may contain an annual escalation clause to provide for increases or decreases in real estate taxes and operating costs.

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**Summary of Energy Compliance**

GSA will incorporate energy efficiency requirements into the Solicitation for Offers and other documents related to the procurement of space for which this prospectus seeks authorization. GSA encourages offerors to work with energy service providers 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**

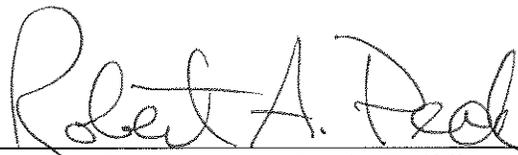
GSA will execute such interim leasing actions as are necessary to ensure continued housing of the tenant agency prior to the effective date of the new lease. It is in the best interest of the Government to avert the financial risk of holdover tenancy.

**Certification of Need**

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

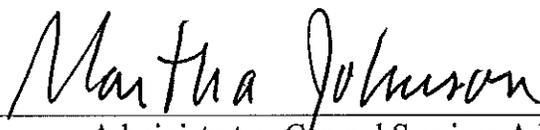
Submitted at Washington, DC, on December 6, 2011

Recommended: \_\_\_\_\_



Commissioner, Public Buildings Service

Approved: \_\_\_\_\_



Administrator, General Services Administration