Prospectus Summary:

The General Services Administration (GSA) proposes to acquire, through existing purchase options, two buildings currently under lease to the federal government located in Martinsburg, WV and Riverdale, MD. The government has the option to purchase these buildings at a set price prior to lease expirations, provided, as per the contract options, advance notice is given to the lessors. The execution of these purchase options will result in the elimination of costly lease obligations and the realization of outyear significant cost avoidance for the government.

Proposed Buildings:

145 Murali Drive ......................................................................................................... $25,000,000
Martinsburg, WV

4700 River Road ......................................................................................................... $31,000,000
Riverdale, MD

Authorization Requested .......................................................................................... $31,233,000

Funding Requested .................................................................................................. $56,000,000

Prior Authority

The House Committee on Transportation and Infrastructure authorized $24,767,000 for the acquisition of 145 Murali Drive, Martinsburg, WV, through an existing purchase option on December 2, 2010.

The Senate Committee on Environment and Public Works authorized $24,767,000 for the acquisition of 145 Murali Drive, Martinsburg, WV, through an existing purchase option on November, 30, 2010.

Recommendation

PURCHASE OF CURRENT LEASED FACILITIES
Prospectus Number: PUR-0001-VA13
Congressional Districts: Multiple

Proposed Buildings:

145 Murall Drive ....................................................................................................... $25,000,000
Martinsburg, WV
Tenant agency: Internal Revenue Service (IRS)

The building currently leased to house the Internal Revenue Service and located at 145 Murall Drive, was a phased construction, 20 year build-to-suit lease completed in 1995. GSA currently leases the entire building which has 122,457 rentable square feet, approximately 50% of this space consisting of a data center, and 295 parking spaces. The building is adjacent to and within the secured boundary of the IRS Enterprise Computing Center, a government owned facility, located at 250 Murall Drive.

The IRS has a continued long term requirement for the currently leased location. Operations executed with this facility are heavily integrated with the adjacent government owned facility. Under the current lease agreement, the government has responsibilities for all repair and alterations as well as operations and maintenance of the facility. GSA has both maintained the building and made necessary capital repairs in accordance with the lease agreement. IRS has also made a significant investment in the building since lease commencement in order to fund improvements that are essential to the agency’s operation.

The terms of the purchase option price were finalized with the completion of the final phase of construction in March 1996. In April 2008, GSA completed a Fair Market Value (FMV) appraisal which indicated that the building was in good condition and well maintained with no deferred maintenance and a FMV of $28,400,000.

The government has an option to purchase the building before the lease expires in July 2015, provided a minimum of 90 days notice has been given to the lessor. If the government does not exercise the purchase option, the rental rate is expected to increase to approximately $6,000,000 or twice the present annual rent of $3,000,000.

4700 River Road ........................................................................................................ $31,000,000
Riverdale, MD
Tenant agency: United States Department of Agriculture (USDA)

The building currently leased to house the United States Department of Agriculture (USDA), is located at 4700 River Road and was constructed in 1994 specifically to house USDA. The building has a total of 337,500 rentable square feet. The current lease expires in February, 2015.
and the government has the option to purchase the building for roughly $92 per rentable square feet, provided at least 180 days notification is provided to the lessor.

Presently the government is making annual net lease payments of approximately $8,200,000. If the purchase option is not exercised, the net rent is expected to increase. The current estimate is that annual net lease payments may increase by over $2,500,000.

The government’s option to purchase the building for $31,000,000 is well below the current market rate for buildings of comparable size. In 2010, GSA completed a fair market value (FMV) appraisal which indicated the FMV to be approximately $45,000,000, an amount well above the established option price to the government.
Certification of Need

The proposed acquisitions are the best solutions to meet validated Government needs.

Submitted at Washington, DC, on February 22, 2012

Recommended

Commissioner, Public Buildings Service

Approved

Administrator, General Services Administration