

SAOC-N16-15-10-lease Space Expansion
(C/K)

DEPARTMENT OF VETERANS AFFAIRS

Justification and Approval For Other Than Full and Open Competition

1. **Contracting Activity:** Department of Veterans Affairs, Network Contracting Office (NCO16) for the Gulf Coast Veterans Healthcare System, Biloxi MS.

2. **Nature of the Action Being Processed:**

The Gulf Coast Veterans Healthcare System needs to expand the lease space for its new Panama City, Florida replacement medical office, lease VA256-13-L-0240.

3. **Description of Supplies/Services Required to Meet the Agency's Needs:**

The Gulf Coast Veterans Healthcare System requires an increase of usable square footage in the amount of 1,790 net usable square feet in order to fit the necessary tenant improvement into the leased space, an increase in NUSF space of 22% and 25% RSF. The increase for this lease was approved by Jordan Benware, VHA Lease Program Manager. The rentable square footage after the increase will be 11,110 rsf, usable will be 9,980 usf. No other changes are necessary. The cost impact is illustrated in the following table:

SPACE EXPANSION COMPARISON OF BASE CHANGE

ORIGINAL				EXPANSION			CHANGE		
Firm Term	RSF	Rate	Total term	Non-Firm	RSF	Rate	Total term	Diff+/-	% Cost Change
5 yr	8830	2220	\$19,606	5yr	11,110	2220	\$24,664,210	+\$5,058,210	25%
Non-firm	8830	2220	\$19,606	5yr	11,110	2220	\$24,664,210	+\$5,058,210	25%
Total			\$39,212	Total			2,578,000	+\$5,058,210	25%
Apportioned TI								+\$330,000	22%*
Total Increase								+\$5,388,210	

*Change based on nusf +1,790. Rent increase based on rsf +2280

4. **Statutory Authority Permitting Other than Full and Open Competition:**

Statutory Authority: 41 U.S.C. 253(c), or 38 U.S.C. 8153 as implemented by FAR 6.302.

- (x) (1) Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements per FAR 6.302-1;
- () (2) Unusual and Compelling Urgency per FAR 6.302-2;
- () (3) Industrial Mobilization, Engineering, Developmental or Research Capability or Expert Services per FAR 6.302-3;
- () (4) International Agreement per FAR 6.302-4
- () (5) Authorized or Required by Statute FAR 6.302-5;
- () (6) National Security per FAR 6.302-6;
- () () Public Interest per FAR 6.302-7;

5. Demonstration that the Contractor's Unique Qualifications or Nature of the Acquisition Requires the Use of the Authority Cited Above (applicability of authority):

a. Only One Responsible Source (FAR 6.302-1)

The Lease was award to Marina Lakes LLC for medical office space located at 140 Richard Jackson Dr. Panama City Fl. The Lessor is providing the space required by the VA as well as the work to design and construct the tenant improvements required to create a functional medical office. The lease term has not started because construction of improvements is not complete.

Having the Lessor concurrently perform the shell work and the VA tenant improvement work is the most efficient and cost effective means to get the work done. This approach also removes all liability from the VA for any structural defects and workmanship issues. If expansion is not approved, the estimated termination and re-solicitation costs will be as follows:

Settlement Costs-	\$1,000,000 est minimum.
Actual Costs-	\$500,000 Design
Re-solicitation and new design-	\$1,000,000 (\$500,000 + \$500,000)
TOTAL	\$2,500,000

Market research into available properties and rates in the Panama City area through Loopnet reveal the range for acceptable property is \$18.50 to \$22.00/sf with various provisions of services. In order to receive a savings by re-soliciting for space, the VA would need to get a fully serviced lease rate that is \$6.68 less than the current rate of \$22.00. Such a reduction is impossible to achieve in the Panama City market. The market does not indicate any means for the VA to recover a significant portion of the costs of lease termination, re-solicitation, award, and design.

Per the above discussion, expanding the new lease is both the most economical and realistic means to provide the requirement. The Lessor is well established and is experienced in leasing commercial properties and is the only responsible source to fulfill this requirement.

6. Description of Efforts Made to ensure that offers are solicited from as many potential sources as deemed practicable:

The requirement for the existing lease was solicited and awarded under full and open competition and included the tenant improvement component. Expanding the current space and allowing the Lessor to complete the tenant improvement work is the best and only rational means to acquire the finished leased space the VA requires for its' mission mandate.

7. Determination by the Contracting Officer that the Anticipated Cost to the Government will be Fair and Reasonable:

The lease rate will not change from the rate accepted upon lease award, which has previously been determined to be the fair and reasonable at the time of award. New market comparison of rates has been conducted and revealed that the Panama City, Fl. market has not changed since the award was made and the rate remains fair and reasonable for the Panama City area. The Contracting Officer will ensure that the rate is not increased due to this action.

8. Description of the Market Research Conducted and the Results, or a Statement of the Reasons Market Research Was Not Conducted:

Available Loopnet property listings for commercial properties were examined and it revealed that rates remain steady. Rates found for advertised properties were in the range of \$18.50/sf to \$22.00/sf with incomplete lessor services offered in the lower priced listings. The market research revealed that the pricing remains fair and reasonable after expansion.

9. Any Other Facts Supporting the Use of Other than Full and Open Competition:

This 22% increase in rentable space is the most economical means of obtaining the needed medical office space. Without the expansion, the effect on the VA's patient care mission will be very detrimental as there will be delays in care and the absence of care in some instances where new services cannot be delivered until a complete re-solicitation, award, construction, and commissioning process are completed.

10. Listing of Sources that Expressed, in Writing, an Interest in the Acquisition:

There has been no expression of interest from qualified parties.

11. A Statement of the Actions, if any, the Agency May Take to Remove or Overcome any Barriers to Competition before Making subsequent acquisitions for the supplies or services required:

This acquisition was originally awarded under full and open competition. The change to the space size after lease award was unanticipated and driven by service program increases developed after the fact. This impact does not generally occur and VA makes every effort to assure that it leases the adequate amount of space necessary to provide the services.

12. Requirements Certification: I certify that the requirement outlined in this justification is a Bone Fide Need of the Department of Veterans Affairs and that the supporting data under my cognizance, which are included in the justification, are accurate and complete to the best of my knowledge and belief.

Jay D. Tripp
167792

JAY TRIPP
Chief, Engineer
Gulf Coast Veterans Healthcare System

February 11, 2015
Date

Approvals in accordance with FAR 8.304

a. Contracting Officer's Certification: (required) I certify that the foregoing justification is accurate and complete to the best of my knowledge and belief.

Robyn A.
Callihan 487453
ROBYN CALLIHAM
Contracting Officer
NCO16 Southeast Louisiana Veterans Healthcare System

2/12/15
Date

b. **NCM/PCM:** I certify the justification meets requirements for other than full and open competition

AARON
VILLALPANDO
178014

AARON VILLALPANDO
Director of Contracting
Network Contracting Office 16, SAO Central

DATE

HIGHER LEVEL APPROVAL:

c. **Service Area Office (SAO):** I certify the justification meets requirements for other than full and open competition.

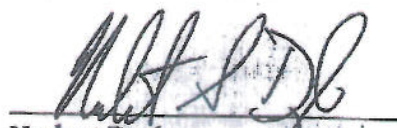
Randy L. Hays 534204

RICK LEMMON
Director, SAO Central

Digitally signed by Randy L. Hays 534204
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d. **VHA HCA Review and Approval:** I have reviewed the foregoing justification and find it to be complete and accurate to the best of my knowledge and belief and recommend approval (if over \$12.5 million) or approve (\$650K to 12.5 million) for other than full and open competition.



Norbert Doyle
VHA Head of Contracting Activity (HCA)

Date

3/31/15