

DEPARTMENT OF VETERANS AFFAIRS

Justification and Approval (J&A)

For

Other Than Full and Open Competition (>\$150K)

Santa Barbara CBOC Real Property Lease Extension (VA262-R-0115)

Action ID: VA262-R-0115 LEASE-MOD P00010

1. **Contracting Activity:** Department of Veterans Affairs, VISN 22, Greater Los Angeles Medical Center, Network Contracting Office, 4811 Airport Plaza Drive, Long Beach, CA 90815.  
Transaction PR: Pending FY18

2. **Nature and/or Description of the Action Being Processed:** The Santa Barbara Community Based Outpatient Clinic (CBOC) space leased under Real Property Lease No. VA262-R-0115 commenced 10/1/2007 for a 10 year term and will expire 9/30/2017. The VA Greater Los Angeles Healthcare System (GLAHCS) is requesting a 1-year extension of the lease from 10/1/2017 through 9/30/2018. The lease is for 6,700 Rentable Square Feet (RSF). The extension will be acquired using Other Than Full and Open Competition as authorized by FAR Part 6.302-1; Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements.

3. **Description of Supplies/Services Required to Meet the Agency's Needs:** The awarded contractor is to provide 6,700 RSF of medical office space for 1-year by extending the current lease from 10/1/2017 to 9/30/2018. The estimated cost for the extension is **\$283,916.52 (no increase to current rental rate) to \$292,434.02 (3% increase over Year 10 rent)**. Advertisement is not required for this extension per GSAM 570.106(a) which is required for a leasehold interest over 10,000 square feet.

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

- (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;  
( ) (7) Public Interest per FAR 6.302-7;

Per GSAM 570.405(c)(4) The agency occupying the space has encountered delays in planning for a potential relocation to other federally controlled space due to documented organizational, financial, or other uncertainties.

5. **Demonstration that the Contractor's Unique Qualifications or Nature of the Acquisition Requires the Use of the Authority Cited Above (applicability of authority):** FAR Part 6.302-1 allows for the procurement of supply and services through other than Full and open competition when there is only one responsible source and no other sources services or supplies will satisfy. This is acceptable under



GSAM 570.405(c)(4) in situations where the agency has encountered delays in planning for alternative space. The Santa Barbara CBOC Lease No. VA262-R-0115 expires 9/30/2017 and VA Greater Los Angeles Healthcare System (GLACHS) is considering whether to relocate the space to be collocated with a new major Oxnard CBOC lease or to seek a new larger space in the Santa Barbara area. The current location for the Santa Barbara CBOC doesn't provide sufficient space to meet the long term needs of the Santa Barbara area however existing services will need to be maintained until an alternative location/service is made available and therefore the Greater Los Angeles VA has requested that NCO 22 extend the current Santa Barbara CBOC lease for a 1-year extension to determine the long term plans for the requirement.

6. **Description of Efforts Made to ensure that offers are solicited from as many potential sources as deemed practicable:** Soliciting alternative locations is not in the best interest of the Government due to the approximate two year procurement and buildout timeline required for a standard new lease. The current space is built out to meet current VA space needs.
7. **Determination by the Contracting Officer that the Anticipated Cost to the Government will be Fair and Reasonable:** The rental rate of the Santa Barbara CBOC during Year 10 of the lease was \$26,659.71/Month (\$283,916.52/Year). Based on initial discussions with the owner the 1-year extension term rate is expected to remain the same with 0% adjustment. The Network Contracting Office 22 requested GSA delegation to proceed based on a rent amount not to exceed \$43.64/SF/Year or \$292,434.02 total per year. This is a modified gross lease for medical office space which includes all maintenance, utilities (including overtime), insurance, and taxes within the rental rate.

Loopnet Market Trends do not provide an analysis of commercial real estate in the Santa Barbara area. Santa Monica was found to be the most similar overall to Santa Barbara as the population is only 2% larger and the median household income is 16% more. The Loopnet Market Trend for Santa Monica, significantly above County, Metro, and State figures, is \$48.74/SF/Year for a shell (unserviced ) rental rate which excludes services such as utilities and maintenance.

8. **Description of the Market Research Conducted and the Results, or a Statement of the Reasons Market Research Was Not Conducted:** Loopnet market listings of available office lease space between 5,000 SF and 10,000 SF were surveyed in the Santa Barbara area. The office buildings listed were predominantly NNN (unserviced) leases whereby the lessee would have to pay for maintenance, taxes, insurance, utilities, and any additional services. Based on the information received from the Loopnet real estate listings the pricing ranged from \$15.00/SF to \$47.40/SF. The buildings listed all appeared to be somewhat older buildings perhaps signifying an older commercial real estate market overall. None of the above office buildings were listed as medical office space.
9. **Any Other Facts Supporting the Use of Other than Full and Open Competition:** The nearest medical office space listed as available within the square footage range of the Santa Barbara CBOC requirement was in Goleta, California for a NNN (unserviced) lease with a rental rate of \$1.95/SF/Mo (\$23.40/Year). As the Goleta, CA medical space for \$23.40/SF/Year represents the closest comparable to the Santa Barbara VA clinic spaces the following table was completed to adjust the rental rate to a fully prepared medical space.

| Adjustment                                  | Rationale for (Lack of) Adjustment  | Amount    | Total \$ |
|---|---|-----------|----------|
| Delineated Market Adjustment                | The listing is for a newer office building (unavailable in Santa Barbara) but based on the location (outside of Santa Barbara) we can assume it is less desirable due to accessibility. | N/A       | \$23.40  |
| RSF to NUSF Conversion                      | VA paying on RSF which is comparable to listing   | N/A       | \$23.40  |
| Adjustment to prepare space for medical use | Adjustment to prepare the shell of a space with medical-use specific heating, ventilating, HVAC, lighting, plumbing, ceilings and interior walls.                                       | 1.35      | \$31.59  |
| Physical Security and Sustainability (LEED) | Premium to upgrade leased asset to meet certain physical security and sustainability standards and guidelines   | \$3.00/SF | \$33.59  |

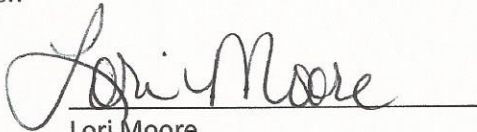
Please note the adjusted rental rate of \$33.59/SF/Year does not include the modified gross services included in the existing lease which provides utilities, taxes, insurance, and maintenance for the medical space. The difference between the projected Santa Barbara CBOC extension of \$43.65/SF/Year and the adjusted Goleta, CA space of \$33.59/SF/Year is \$10.06/SF/Year or \$0.84/SF/Month. Unfortunately the lease file does not contain a Lessor's Cost Proposal (SF 1217) however based on a review of other VA clinical leases the following information was found showing \$10.06/SF/Year to be a reasonable Operating Expense amount.

|                              | SF    | 1217 OpEx Rate | Notes                                 |
|------------------------------|-------|----------------|---------------------------------------|
| San Diego Primary Care Annex | 9995  | \$13.70        | Net utilities and janitorial service. |
| San Luis Obispo CBOC         | 5,999 | \$ 10.79       | Full Service                          |

10. **Listing of Sources that Expressed, in Writing, an Interest in the Acquisition:** Advertisement is not required for this extension per GSAM 570.106(a); this requirement is for a leasehold interest under 10,000 square feet.
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:** N/A



12. **Requirements Certification:** I certify that the requirement outlined in this justification is a Bona 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.



Lori Moore  
CBOC Contract Manager  
VA Greater Los Angeles

4/5/2017

Date

13. **Approvals in accordance with the VHAPM, Volume 6, Chapter VI: OFOC SOP.**

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

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Krista J. Lestina  
Lease Contracting Officer  
Network Contracting Office 22

04-05-2017

Date

- b. **Director of Contracting /Designee (Required over \$150K but not exceeding \$700K):** I certify the justification meets requirements for other than Full and open competition.

\_\_\_\_\_  
Kevin Blanchard  
Director of Contracting  
Network Contracting Office 22

4/12/2017

Date