

## LA-UR-21-23470

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Title: New Lease Space Acquisition Process: A key tool in solving LANL's critical office space issues

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Intended for: Report

Issued: 2021-04-12

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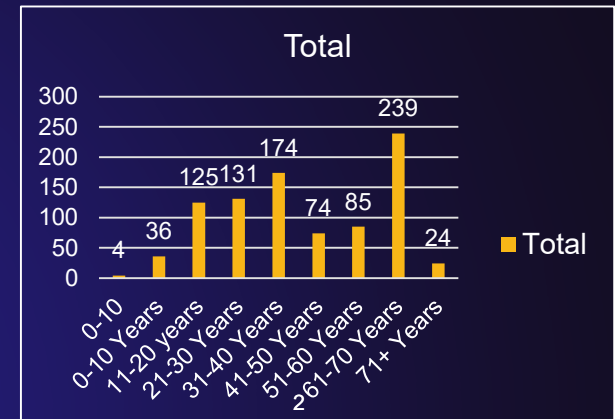
## *New Lease Space Acquisition Process*

***A key tool in solving LANL's critical office space issues***

- **There is insufficient space**
  - The Laboratory is growing (~20% growth over past 5 years)
  - Changes in Mission will accelerate that growth
    - We are estimating up to 2,800 additional personnel (504,000 ft<sup>2</sup>) required to meet mission

- **Much of our existing space is inadequate**

- Average Age is 42 years. 30% of portfolio is 61 years or older, 50% is over 50 years old
- 82% of facilities are substandard or inadequate according to BUILDER data
- Facility data suggest office space is well over 98% full
  - Vacancies are spread over a large number of facilities.



Average Age of Buildings

- Initial Discussion – Early Calendar year 2020
  - LANL began discussions with Los Alamos Field Office (NA-LA) and with LANL’s assigned Real Estate Contracting Officers (RECO’s) with regards to the pursuit of additional office space through leasing.
- Existing Leases
  - At this time, LANL occupied space in 26 leased buildings in Los Alamos, representing 315,000 ft<sup>2</sup>.
- Market Information
  - LANL worked with a local broker to conduct a simplified market survey of current and expected availability of office space in Los Alamos.
    - Only availability were general small retail spaces typically 2,000 ft<sup>2</sup> or less.

- Path forward
  - With the realization of the limited amount of office space available for lease, LANL furthered discussions with NA-LA and our RECO's.
    - RFI vs RFP
    - Larger Delineated Area
    - Options for purchase of existing and/or lease to purchase
- Conducted facilitated discussions with executive management regarding space outside of Los Alamos

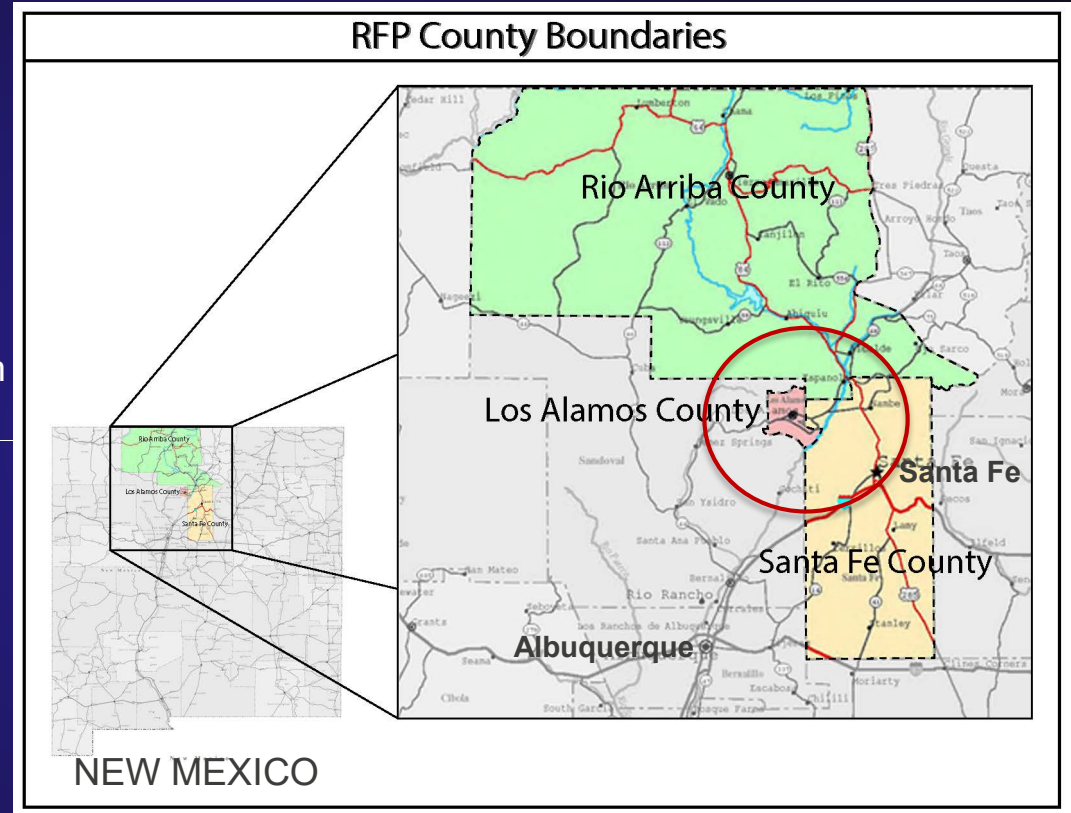
Not a large market for office space

- City of Santa Fe ~85k population
- County ~ 150k population

City is ~45 minutes away from Los Alamos

Large portion of Laboratory commutes from Santa Fe currently

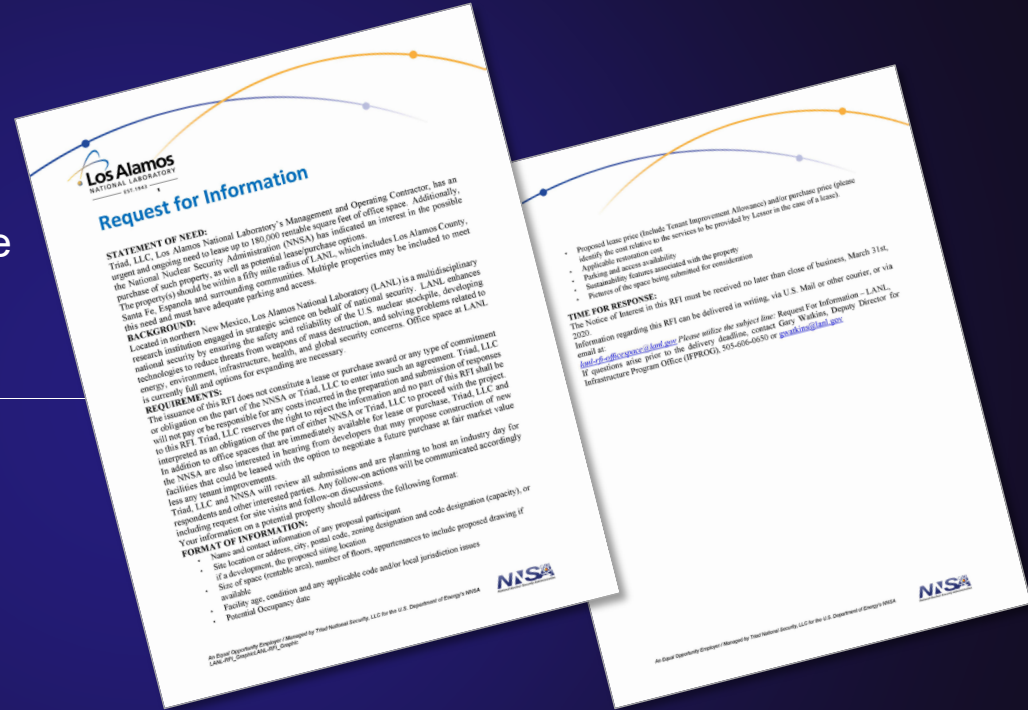
No current presence in Santa Fe





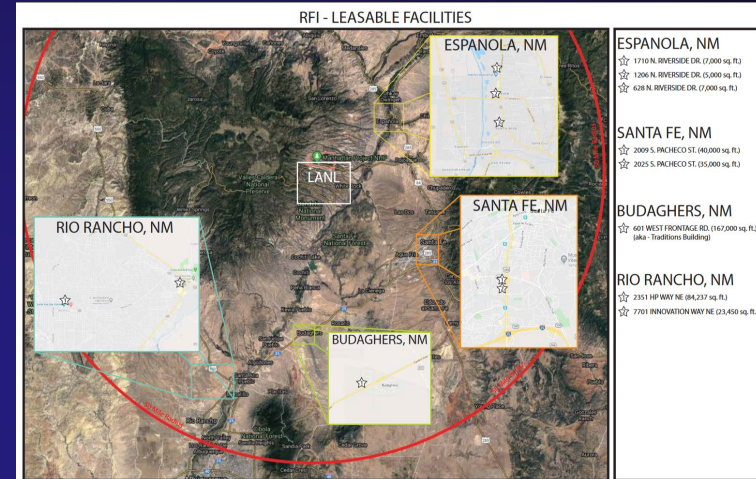
### Request for Information

- For existing office space
  - Within a 50 mile radius of Los Alamos
  - Includes potential lease, purchase and lease to purchase options





- With the RFI, we received 30 responses
  - Not much available for immediate lease or purchase
    - 3 companies with 7 properties
    - 3 of the 7 properties are within 50 mile radius but significantly more than a 50 mile drive
    - 2 properties in Santa Fe (~75,000 ft<sup>2</sup>) may look promising
    - Significant number of developers willing to work with us to build to suite
- Next step.....Request for Proposal (RFP) for existing office space



Existing Properties Available within 50 mile Radius

### RFP or Solicitation for Offers

- Offers to be on existing office space only
- Clarified the delineated area to be 50 driving miles from LANL
- Space requirements
  - Minimum of 15k ft<sup>2</sup> to 300k ft<sup>2</sup>

### Solicitation for Offers

- Package included:
  - SFO
  - Triad Lease Template
  - GSA 1217 *Lessor's Annual Cost Statement*
  - GSA 3516 *Solicitation Provisions*
  - GSA 3517 *General Clauses*
  - Reps & Certs



### Key sections of the SFO

- SUMMARY
- AMOUNT AND TYPE OF SPACE AREA OF CONSIDERATION
- LEASE TERM
- OFFER DUE DATE
- OCCUPANCY DATE
- HOW TO OFFER
- BUILDING REQUIREMENTS
- TENANT IMPROVEMENTS
- TENANT IMPROVEMENT RENTAL ADJUSTMENT
- NEGOTIATIONS
- PRICE EVALUATION (PRESENT VALUE)
- AWARD
- LABOR STANDARDS



### AWARD FACTORS

The lease will be awarded to the Offeror whose offer will be most advantageous to Triad (LANL).

The following award factors in order of significance are:

- Location
- Space and Facility Configuration
- Occupancy Schedule
- Price of Firm-Term
- Renewal Option Price



- **Santa Fe, NM Proposals**
  - Santa Fe A – 40k sq. ft. (3 stories)
  - Santa Fe B – 37,856 sq. ft. (2 stories)
  - Santa Fe C – 85k sq. ft. (1 story)
  - Santa Fe D – 98k sq. ft. (2 story)
  - Santa Fe E – 27,438 sq. ft. (2 story plus basement)
  - Santa Fe F – 24,361 sq. ft. (26 total acres)
  
- **Los Alamos, NM Proposals**
  - Los Alamos A – 15,247 sq. ft. (1 story)
  - Los Alamos B – 24,448 sq. ft. (2 story)
  - Los Alamos C – 20,388 sq. ft. (2 story)
  - Los Alamos D – 58k sq. ft. (1 story)
  - Los Alamos E – 8,908 sq. ft. (3 stories)
  
- **Espanola, NM**
  - Espanola A – 3,300 sq. ft. (1 story)

- |                         |                 |  |
|-------------------------|-----------------|--|
| • Santa Fe, NM          |                 |  |
| – <b>Santa Fe - A</b>   | Single Proposal | Within Market Rate - Best & Final Offer - Options  |
| – <b>Santa Fe - B</b>   |                 |  |
| – Santa Fe - C          | ————            | <u>No B&amp;FO</u> - Owner leased property         |
| – <b>Santa Fe - D</b>   | ————            | Within Market Rate - B&FO - Options                |
| – <b>Santa Fe - E</b>   | ————            | B&FO higher than Market Rate                       |
| – Santa Fe - F          | ————            | Rejected - Did not meet minimum. area requirements |
| ■ Los Alamos, NM        |                 |  |
| – <b>Los Alamos - A</b> | ————            | Currently in negotiations                          |
| – <b>Los Alamos - B</b> | ————            | B&FO higher than Market Rate                       |
| – <b>Los Alamos - C</b> | ————            | B&FO higher than Market Rate                       |
| – Los Alamos - D        | ————            | <u>No B&amp;FO</u>                                 |
| – Los Alamos - E        | ————            | Rejected - Did not meet minimum area requirements  |
| ■ Espanola, NM          |                 |  |
| – Espanola - A          | ————            | Rejected - Did not meet minimum area requirements  |



- **Santa Fe, NM**

- **Santa Fe - A** ————— In Negotiations
- **Santa Fe - D** ————— **Rejected Offer** (Significantly out of market rate for class B space)
- **Santa Fe - E** ————— In Negotiations

- **Los Alamos, NM**

- **Los Alamos - A** ————— Currently in negotiations
- **Los Alamos - B** ————— **Rejected Offer** (Significantly out of market rate for class B space)
- **Los Alamos - C** ————— **Rejected Offer** (Significantly out of market rate for class B space)



**We are in the process of executing 3 new leases based on the RFI/RFP process. It will add a total of 121,000 ft<sup>2</sup>**

- New leases will be Class A space
- Modern furniture applications
- Leveraging hybrid telework mode to maximize use of office space
- Roughly equivalent to ~\$100M of indirect funded construction of new office space

New Leased Property	Total Area (SF)
Los Alamos - A	15,000
Santa Fe - E	28,000
Santa Fe – A & B	78,000
<b>Total New Lease Area</b>	<b>121,000</b>

# QUESTIONS

