New Lease Space Acquisition Process

*A key tool in solving LANL’s critical office space issues*
New LANL Leases

Executive Summary of Need

- **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 ft²) 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.
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Lease Acquisition Process – Existing Leases

- 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 ft².

- 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 ft² 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
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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
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Lease Acquisition Process – RFI

Request for Information
• For existing office space
  – Within a 50 mile radius of Los Alamos
  – Includes potential lease, purchase and lease to purchase options
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Lease Acquisition Process – RFI

• 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 ft²) 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
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Lease Acquisition Process – SFO

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 ft² to 300k ft²

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
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 Lease Acquisition Process – SFO Responses

• 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)
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Lease Acquisition Process – B & F Responses

- **Santa Fe, NM**
  - Santa Fe - A
  - Santa Fe - B
  - Santa Fe - C
  - Santa Fe - D
  - Santa Fe - E
  - Santa Fe – F

- **Los Alamos, NM**
  - Los Alamos - A
  - Los Alamos - B
  - Los Alamos - C
  - Los Alamos - D
  - Los Alamos - E

- **Espanola, NM**
  - Espanola - A

<table>
<thead>
<tr>
<th>Single Proposal</th>
<th>Within Market Rate - Best &amp; Final Offer - Options</th>
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<tbody>
<tr>
<td>No B&amp;FO</td>
<td>Owner leased property</td>
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<tr>
<td>Within Market Rate - B&amp;FO - Options</td>
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<tr>
<td>B&amp;FO higher than Market Rate</td>
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<td>Currently in negotiations</td>
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New LANL Leases

Lease Acquisition Process – Results

• 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 ft²

- 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

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<th>New Leased Property</th>
<th>Total Area (SF)</th>
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<tr>
<td>Los Alamos - A</td>
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<td>Santa Fe - E</td>
<td>28,000</td>
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<tr>
<td>Santa Fe – A &amp; B</td>
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<tr>
<td><strong>Total New Lease Area</strong></td>
<td><strong>121,000</strong></td>
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QUESTIONS