

**[ GPPB RESOLUTION NO. 019-2007, June 29, 2007 ]**

**APPROVING AND ADOPTING THE IMPLEMENTING GUIDELINES  
FOR LEASE OF PRIVATELY-OWNED REAL ESTATE**

WHEREAS, Republic Act No. 9184 (R.A. 9184) and its Implementing Rules and Regulations Part A (IRR-A) took effect on 26 January 2003 and 8 October 2003, respectively;

WHEREAS, the Government Procurement Policy Board (GPPB) under Section 63 of the IRR-A of R.A. 9184 is mandated to formulate and amend public procurement policies, rules, and regulations, and amend whenever necessary, the IRR-A of R.A. 9184;

WHEREAS, Section 5(n) of R.A. 9184 defines procurement to include the lease of real estate;

WHEREAS, the Inter-Agency Technical Working Group (IATWG), in its 4th regular meeting held on 13 April 2007, recommended for the consideration and approval of the GPPB, the inclusion of lease of office space as one of the circumstances when negotiated procurement may be resorted to as provided under Section 53 of the IRR-A of R.A. 9184;

WHEREAS, the GPPB, in its 4th regular meeting held on 4 May 2007, duly considered and approved to include, as Section 53( i ) of the IRR-A of R.A. 9184, the lease of privately-owned real estate as one of the instances when an agency can resort to negotiated procurement; subject to guidelines to be approved by the GPPB;

WHEREAS, the IATWG, in its 6th regular meeting held on 15 June 2007, discussed and reviewed the draft guidelines for lease of privately-owned real estate, and consequently resolved to recommend the same for the consideration and approval of the GPPB;

WHEREAS, the GPPB, in its 6th regular meeting held last 29 June 2007, discussed and deliberated upon the appropriate procedures and guidelines for the implementation of Section 53( i ) of the IRR-A of R.A. 9184;

WHEREAS, the Department of Public Works and Highways, during the meeting held last 29 June 2007, recognized the distinct scope and application of the draft guidelines for lease of privately-owned real estate from the standards and guidelines on the determination of the reasonableness of rental rates provided under the Manual on Policies, Standards, Guidelines and Issuances on Building Services and Real Property Management;

NOW, THEREFORE, for and in consideration of the foregoing, WE, the Members of the GOVERNMENT PROCUREMENT POLICY BOARD, by virtue of the powers vested on US by law, hereby RESOLVE to confirm, adopt and approve, as WE hereby confirm, adopt and approve, the "Implementing Guidelines for Lease of Privately-Owned Real Estate," attached as Annex A and made an integral part hereof.

This resolution shall take effect immediately.

Adopted: 29 June 2007

(SGD.) ROLANDO G. ANDAYA, JR.  
*Secretary*  
*Department of Budget and Management*

Also signed by other representatives of:

DEPARTMENT OF NATIONAL DEFENSE

DEPARTMENT OF HEALTH

DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS

DEPARTMENT OF TRADE AND INDUSTRY

DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS

PRIVATE SECTOR REPRESENTATIVE

Attested by:

(SGD.) RUBY U. ALVAREZ  
*Board Secretary, GPPB*  
*Executive Director, GPPB-TSO*

Annex "A"

IMPLEMENTING GUIDELINES FOR LEASE OF PRIVATELY-OWNED  
REAL ESTATE

1. PURPOSE

The Guidelines on Lease of Privately-Owned Real Estate (the "Guidelines") set forth the rules and procedures in entering into contracts for lease of privately-owned real estate by government agencies for official use pursuant to Section 53(i) of the Implementing Rules and Regulations Part A (IRR-A) of Republic Act 9184 (R.A. 9184). It shall assist government agencies in determining reasonableness of rental rates prior to entering into lease contracts.

2. SCOPE AND APPLICATION

The Guidelines shall apply to national government, its branches, constitutional offices, departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions, and local government units.

It shall not apply to lease of government properties for private use.

### 3. DEFINITION OF TERMS

3.1 Capitalization Rate. Refers to the interest rate on the cost or value of the property.

3.2 Comparative Price Analysis. Refers to the method of comparing the price quotations obtained pursuant to Item 5.5 of these Guidelines against the prevailing market rate of lease contracts within the vicinity of the selected location as determined pursuant to Item 5.1 of these Guidelines.

3.3 Computation based on Observed Depreciation. Refers to the method of computation in determining reasonableness of rental rate using a depreciation rate determined by the Bids and Awards Committee (BAC) or its Technical Working Group (TWG) after meticulous ocular inspection of the actual condition of the real estate. The formula for this method is provided in Item 6.3 of these Guidelines.

3.4 Computation based on Straight Line Depreciation. Refers to the method of computation in determining reasonableness of rental rate using a depreciation rate based on the Table of structural Depreciation provided by the Department of Public Works and Highways (DPWH) under Appendix B\* of these Guidelines. The formula for this method is provided in Item 6.4 of these Guidelines.

3.5 Cost-benefit Analysis. Refers to a tool used to aid decision-making by evaluating the benefits to be attained from an action against the costs for its implementation. For purposes of these Guidelines, the cost-benefit analysis should consider, among others, the costs for the transfer to, furnishing, and/or maintenance of the real estate, and include a market analysis of prevailing lease rates within the vicinity of the selected location.

3.6 Depreciation. Refers to the decrease in the value of a real estate due to ordinary wear and tear brought about by its use.

3.7 Estimated Unit Construction Cost. Refers to the estimated prevailing cost of construction per square meter of the real estate being appraised. The respective Estimated Unit Construction Cost of types of real estate for each region may be obtained from the Bureau of Maintenance of the DPWH.

3.8 Factor Value. Refers to the rating factor where locations and site conditions, neighborhood data and real estate structural condition, functionality, facilities and other requirements, including free services and facilities offered by the Lessor are considered.

The rating factors and its corresponding weights are provided in Appendix A\* of these Guidelines.

3.9 Lessee. Refers to any government agency temporarily occupying a real estate on the basis of a contract executed with the private individual, partnership, cooperative, association, or corporation having absolute ownership over such real estate.

3.10 Lessor. Refers to any private individual, partnership, cooperative, association, or corporation having absolute ownership over the real estate to be leased.

3.11 Real Estate. Refers to land and buildings, including office spaces or units.

3.12 Rentable Area. Refers to the total area of the real estate in square meters being occupied or to be occupied by the Lessee less the common area like lobby, stairway, elevator hall, common comfort room, machine room for air conditioner, and other areas of common use by the public or upper floor occupants.

3.13 Rental. Refers to the amount paid by the Lessee for the use and/or occupancy of the privately-owned real estate to the Lessor, where payment is usually made on a monthly basis.

3.14 Reproduction Cost. Refers to the estimated total cost of replacing the real estate with the same utility.

#### 4. GUIDING PRINCIPLES

4.1 It is more preferred that government agencies lease publicly-owned real estate from other government agencies.

4.2 However, if no publicly-owned real estate is available or if cost-benefit analysis indicates that lease of privately-owned real estate is more favorable to government, procuring entities shall have the option to enter into lease contracts either through public bidding or negotiated procurement under Section 53(i) of the IRR-A of R.A. 9184. In the public bidding of lease contracts, the procedures under the IRR-A of R.A. 9184 shall be followed.

4.3 The location of the real estate to be leased should have been meticulously determined by the procuring entity after taking into consideration, among others, the need for prudence and economy in government service and the suitability of the area in relation to the mandate of the office and its accessibility to its clients.

4.4 The Approved Budget for the Contract (ABC) of lease shall be determined using the mid point of the range obtained from the results of the market analysis on the prevailing lease rates for real estates within the vicinity of the selected location complying with the criteria and technical specifications of the end user unit.

4.5 As a general rule, rental rates are considered reasonable when they represent or approximate the value of what the Lessee gets in terms of accommodation, facility, and convenience from the leased real estate, and the Lessor gets an equitable return of capital or investment in the construction and maintenance of the real estate.

4.6 The reasonableness of the computed rental rates is likewise determined by