

29 February 2016

MEMORANDUM ORDER

NO. 07

Series of 2016

SUBJECT : LEASE OF PRIVATELY-OWNED VENUE

This Memorandum Order is being issued to provide internal guidelines in entering into contracts for **lease of privately-owned venue** for official use by DA offices, Attached Agencies and Regional Field Offices.

Section 53 of the GPPB Revised Implementing Rules and Regulations (GPPB RIRR) Fifth Edition, provides for **Negotiated Procurement** in a number of cases including **lease of privately-owned real property and venue** (Sec. 53.10) "Subject to guidelines to be issued by the GPPB."

In Appendix No. 7 of GPPB RIRR, Pages 167-170, Implementing Guidelines were issued for the Lease of Privately-Owned Real Estate and Venue. Under "Definition of Terms," **Venue** refers to training centers, convention halls, hotels, and similar establishments catering to trainings, seminars, conferences, conventions, symposia and similar gatherings requiring the official participation of government officials and employees. This may include meals and accommodation depending on the requirements of the procuring entity.

Guiding Principles (Paragraph 4, of Appendix No. 7):

- 4.1 It is more preferred that government agencies lease publicly-owned venue from other government agencies.
- 4.2 The location of the venue to be leased should have been meticulously selected 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**. Other factors such as the **nature of the event** or the **level of security in the proposed location** may also be taken into account.
- 4.3 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, amenities, and convenience from the leased real



estate or venue, and the Lessor gets an **equitable return of capital or investment.**

- 4.4 Rental rates should also be within the **prevailing market rates** for lease of real estate or venue **with the same or similar condition or classification and located within the vicinity.**
- 4.5 The procuring entity shall ensure that the objectives and purpose of the lease contract do not constitute an **unnecessary, excessive, extravagant, or unconscionable expenditure.**

Procedural Requirements (Paragraphs 5 and 7 of Appendix 7):

1. The Annual Procurement Plan (APP) of the procuring unit shall reflect the proposed lease of real estate or venue specifying the approved mode of procurement, the ABC, and the general description of the lease.
2. The end-user shall conduct a **Cost-Benefit Analysis** to assess the feasibility of leasing a privately-owned venue as against leasing a government-owned venue. Cost-Benefit Analysis is a tool used to aid decision making by evaluating the benefits to be attained from an action against the cost for its implementation. It involves a **market analysis** of prevailing lease rates within the vicinity of the selected location.
3. The recommendation of the end-user to lease a privately-owned venue shall also indicate the **proposed location**, the **justifications therefor**, and the **result of the market analysis** of the prevailing rates of lease contracts within the vicinity of the selected location.
4. The Approved Budget of the Contract (ABC) shall be set using the **mid point of the range obtained from the results of the market analysis** on the prevailing lease rates for venue within the vicinity of the selected location complying with the criteria and technical specification of the end user unit. **In no case shall the rental rates, including additional expenses, exceed the ABC.**
5. Eligibility documents need not be submitted by prospective lessors. The end-user must nevertheless **validate whether the lessor to be awarded the contract is technically, legally and financially capable through other means.**
6. Technical specification shall be prepared by the end-user taking into consideration the Table Of Rating Factors for Lease of Venue.
7. Once technical specifications have been finalized by the end user, at least three (3) price quotations shall be obtained within the vicinity of the selected location.

8. The venue being offered by the lessor with the Lowest Calculated Bid (LCB) shall then be rated in accordance with the technical specifications prepared. Compliance rating with technical specifications may be conducted through ocular inspections, interviews, or other forms of due diligence.
9. All lease contracts with ABCs costing more than Fifty Thousand Pesos (P 50,000.00) shall be posted in the Philippine Government Electronic Procurement System (PHILGEPS).

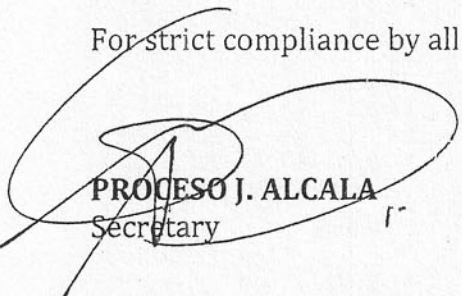
Specific Guidelines for Lease of Venue (Paragraph 7 of Appendix 7):

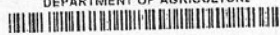
- 7.1 Technical specifications shall be prepared taking into consideration the rating factors under Appendix C of these Guidelines. (Copy attached)
- 7.2 Once technical specifications have been finalized, at least three (3) price quotations shall be obtained within the vicinity of the selected location.
- 7.3 The venue being offered by the Lessor with the Lowest Calculated Bid (LCB) shall then be rated in accordance with the technical specifications prepared pursuant to Appendix C. Compliance rating with technical specifications may be conducted through ocular inspection, interviews, or other forms of due diligence.
- 7.4 If the LCB is determined to be responsive, said bid shall be declared as the **Lowest Calculated Responsive Bid (LCRB)**. If not, then the second LCB shall be evaluated and its responsiveness determined pursuant to Item 7.3 of these Guidelines. This procedure shall be repeated for the next LCB until the LCRB is determined.

Where a selection of venue is not priorly included in the Annual Procurement Plan (APP), and the Approved Budget for the Contract (ABC) exceeds the amount of One million pesos (P1,000,000.00), procurement thereof shall be through open competitive public bidding.

This Memorandum Order shall be appended to the recently-approved DA Procurement Manual.

For strict compliance by all concerned.


PROCESO J. ALCALA
Secretary

DEPARTMENT OF AGRICULTURE

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Enclosure : As stated



Revised Implementing Rules and Regulations

supplier of its obligations under the procurement contract shall be covered by a performance security in accordance with Section 39 of this IRR.^(a)

- 53.9. **Small Value Procurement.**²⁶ Where the procurement does not fall under Shopping in Section 52 of this IRR and the amount involved does not exceed the thresholds prescribed in Annex "H" of this IRR.^(a)
- 53.9.1. The procuring entity shall draw up a list of at least three (3) suppliers, contractors, or consultants of known qualifications which will be invited to submit proposals, in the case of goods and infrastructure projects, or curriculum vitae, in the case of consulting services.^(a)
- 53.9.2. The thresholds prescribed in Annex "H" of this IRR shall be subject to the periodic review by the GPPB. For this purpose, the GPPB shall be authorized to increase or decrease the said amount in order to reflect the changes in economic conditions and for other justifiable reasons.⁽ⁿ⁾
- 53.10. **Lease of Real Property.** Lease of privately owned real property and venue for official use, subject to guidelines²⁷ to be issued by the GPPB.^(a)
- 53.11. **NGO Participation.** When an appropriation law or ordinance earmarks an amount to be specifically contracted out to Non-Governmental Organizations (NGOs), the procuring entity may enter into a Memorandum of Agreement with an NGO, subject to guidelines²⁸ to be issued by the GPPB.^(a)
- 53.12. **Community Participation.** Where, in the interest of project sustainability or to achieve certain specific social objectives, it is desirable in selected project components to call for participation of local communities in the delivery of services, the procuring entity shall propose the procedures, specifications, and contract packaging which are subject to the approval of the GPPB.⁽ⁿ⁾
- 53.13. **United Nations Agencies.** Procurement from specialized agencies of the United Nations of any of the following: (a) small quantities of off-the-shelf goods, primarily in the fields of education and health; and (b) specialized products, where the number of suppliers is limited, such as vaccines or drugs.⁽ⁿ⁾

Section 54. Terms and Conditions for the use of Alternative Methods

- 54.1. Splitting of Government Contracts is not allowed. Splitting of Government Contracts means the division or breaking up of GOP contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of law and this IRR, especially the necessity of public bidding and the requirements for the alternative methods of procurement.
- 54.2. For alternative methods of procurement, advertisement and posting as prescribed in Section 21.2.1 of this IRR may be dispensed with: Provided, however, That the BAC, through its Secretariat, shall post the invitation or request for submission of price quotations for Shopping under Sections 52.1 (b) and Negotiated Procurement under

Refer to Appendix 18 for the Guidelines for Shopping and Small Value Procurement.

Refer to Appendix 7 for the Implementing Guidelines for Lease of Privately-Owned Real Estate and Venue.

Refer to Appendix 8 for the Guidelines on Non-Governmental Organization Participation in Public Procurement.

APPENDIX 7 IMPLEMENTING GUIDELINES FOR LEASE OF PRIVATELY- OWNED REAL ESTATE AND VENUE

1. PURPOSE

The Guidelines on Lease of Privately-Owned Real Estate and Venue (the "Guidelines") shall set forth the rules and procedures in entering into contracts for lease of privately-owned real estate and venue by government agencies for official use pursuant to Section 53.10 of the Implementing Rules and Regulations of Republic Act 9184.

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. **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.
- 3.2. **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.
- 3.3. **Lessor.** Refers to any private individual, partnership, cooperative, association, or corporation having absolute ownership over the real estate or venue to be leased.
- 3.4. **Real Estate.** Refers to land and buildings, including office spaces or units.
- 3.5. **Rental Rate.** 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.
- 3.6. **Venue.** Refers to training centers, convention halls, hotels, and similar establishments catering to trainings, seminars, conferences, conventions, symposia and similar gatherings requiring the official participation of

government officials and employees. This may include meals and accommodation depending on the requirements of the procuring entity.

4. GUIDING PRINCIPLES

- 4.1. It is more preferred that government agencies lease publicly-owned real estate and venue from other government agencies.
- 4.2. The location of the real estate or venue to be leased should have been meticulously selected 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. In the lease of venue, other factors such as the nature of the event or the level of security in the proposed location may also be taken into account.
- 4.3. 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, amenities, and convenience from the leased real estate or venue, and the Lessor gets an equitable return of capital or investment.
- 4.4. Rental rates should also be within the prevailing market rates for lease of real estate or venue with the same or similar condition or classification and located within the vicinity.
- 4.5. The procuring entity shall ensure that the objectives and purpose of the lease contract do not constitute an unnecessary, excessive, extravagant, or unconscionable expenditure.

5. PROCEDURAL REQUIREMENTS

- 5.1. The end user unit shall conduct a Cost-Benefit Analysis to assess the feasibility of leasing a privately-owned real estate or venue as against purchasing or leasing from a government-owned real estate or venue.
- 5.2. The recommendation of the end user unit to lease a privately-owned real estate or venue shall also indicate the proposed location/s, the justifications therefor, and the result of the market analysis of the prevailing rates of lease contracts within the vicinity of the selected location/s.
- 5.3. The Approved Budget for the Contract (ABC) shall be set using the mid point of the range obtained from the results of the market analysis on the prevailing lease rates for real estates or venue within the vicinity of the selected location complying with the criteria and technical specifications of the end user unit. In no case shall the rental rates, including additional expenses, such as association dues in the case of lease of real estate, exceed the ABC.

- 5.4. The Annual Procurement Plan of the procuring entity shall reflect the proposed lease of real estate or venue specifying the approved mode of procurement, the ABC, and the general description of the lease.
- 5.5. Selection of the Lessor following the procedures prescribed in Items 6 and 7 of these Guidelines may be delegated to the appropriate bureau, committee, or support unit duly authorized by the Bids and Awards Committee.
- 5.6. Eligibility documents need not be submitted by prospective Lessors. The procuring entity must nevertheless validate whether the Lessor to be awarded the contract is technically, legally and financially capable through other means.
- 5.7. All lease contracts with ABCs costing more than Fifty Thousand Pesos (Php 50,000.00) shall be posted in the Philippine Government Electronic Procurement System.

6. SPECIFIC GUIDELINES: LEASE OF REAL ESTATE

- 6.1. The draft contract and the technical specifications for the lease shall be prepared taking into consideration the rating factors under Appendix A of these Guidelines.
- 6.2. Thereafter, at least three (3) prospective Lessors shall be invited to submit sealed price quotations.
- 6.3. On a specified date, submitted price quotations shall be opened to determine the Lowest Calculated Bid (LCB). The real estate being offered by the Lessor with the LCB shall be rated in accordance with the technical specifications prepared pursuant to Appendix A, and the reasonableness of its price quotation shall be determined in accordance with the methodology prescribed in Appendix B of these Guidelines.
- 6.4. If the LCB is determined to be responsive and reasonable, said bid shall be declared as the Lowest Calculated Responsive Bid (LCRB). If not, then the second LCB shall be evaluated and its reasonableness determined pursuant to Item 6.3 of these Guidelines. This procedure shall be repeated for the next LCB until the LCRB is determined.
- 6.5. Lease contract shall be awarded to the LCRB. If no LCRB has been determined, then another round of prospective Lessors shall be invited to submit sealed price quotations in accord with Item 6.2 of these Guidelines until an LCRB has been determined and awarded the contract.

7. SPECIFIC GUIDELINES: LEASE OF VENUE

- 7.1. Technical specifications shall be prepared taking into consideration the rating factors under Appendix C of these Guidelines.

- 7.2. Once technical specifications have been finalized, at least three (3) price quotations shall be obtained within the vicinity of the selected location.
- 7.3. The venue being offered by the Lessor with the LCB shall then be rated in accordance with the technical specifications prepared pursuant to Appendix C. Compliance rating with technical specifications may be conducted through ocular inspection, interviews, or other forms of due diligence.
- 7.4. If the LCB is determined to be responsive, said bid shall be declared as the LCRB. If not, then the second LCB shall be evaluated and its responsiveness determined pursuant to Item 7.3 of these Guidelines. This procedure shall be repeated for the next LCB until the LCRB is determined.

8. TERMS AND CONDITIONS OF LEASE CONTRACTS

- 8.1. The procuring entity shall ensure that the lease contract provides the most advantageous terms and conditions to the Government.
- 8.2. Lease contracts may be entered into on a multi-year basis, subject to the application of any set of guidelines that governs multi-year contracts.

9. EFFECTIVITY

These Guidelines shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general nationwide circulation.⁴⁸

⁴⁸ Issued through GPPB Resolution 08-2009, dated 3 November 2009, published in the Daily Tribune on 2 December 2009.

**APPENDIX C
TABLE OF RATING FACTORS FOR LEASE OF VENUE**

	RATING FACTORS	WEIGHT (%)	RATING
I.	Availability	100	
II	Location and Site Condition		
	1. Accessibility	(50)	
	2. Parking space	(50)	
		100	
III.	Neighborhood Data		
	1. Sanitation and health condition	(25)	
	2. Police and fire station	(25)	
	3. Restaurant	(25)	
	4. Banking and Postal	(25)	
		100	
IV.	Venue		
	a. Structural condition	(20)	
	b. Functionality		
	a. Conference Rooms	(10)	
	b. Room arrangement (e.g., single, double, etc.)	(5)	
	c. Light, ventilation, and air conditioning	(5)	
	d. Space requirements	(5)	
	c. Facilities		
	a. Water supply and toilet	(4)	
	b. Lighting system	(5)	
	c. Elevators	(4)	
	d. Fire escapes	(4)	
	e. Fire fighting equipment	(4)	
	f. Internet and Telecommunications	(4)	
	g. Audio visual equipment	(5)	
	d. Other requirements		
	a. Maintenance	(5)	
	b. Attractiveness	(5)	
	c. Security	(5)	
	e. Catering Services	(5)	
	f. Client's satisfactory rating	(5)	
		100	
I.	Availability	X (.5) =	
II.	Location and Site Condition	X (.1) =	
III.	Neighborhood Data	X (.05) =	
IV.	Venue	X (.35) =	
FACTOR VALUE			

Note: Weight of each rating factor may be changed as long as total weight per classification is equivalent to 100. Figures in parenthesis are samples. Procuring entity must determine passing rate before inviting bids from Lessors. A bid is determined to be responsive if it is equal to or higher than the passing rate.