Full Cost Decision Memorandum Facility Lease Charging (OT-06)

Issue:

What is the policy for charging lease costs to entities at NASA, LaRC?

Source / reference:

LaRC Office of the Chief Financial Officer (OCFO)

Background:

Over the past several years, LaRC has been implementing a strategy to renovate the Center infrastructure. In that regard, the Center is planning a major renovation by replacement project, commonly referred to as "New Town". The noted New Town project will build a new facility plant to house the technical workforce at LaRC and enable more robust research and development operations. The New Town facility is expected to substantially reduce operations and maintenance costs as well as the backlog of maintenance and repair at the Center. As a result, the Center will be vacating substantial office and technical space over the next several years. The vacated space will essentially become under-utilized by NASA. However, NASA must continue to maintain these facilities in accordance with appropriate safety standards. In that regard, significant financial benefit exists for NASA when an entity leases under-utilized space and pays the operational costs of the associated facility space. The Center must determine the appropriate costs to be charged to leasing entities for such arrangements.

Options:

1. Charge lessee all relative costs for facility usage
2. Charge lessee all costs for facility usage (like NASA project or partners)

Decision:

Option 1. As previously stated, significant financial benefit exists for NASA when an entity leases under-utilized space and pays the operational costs of the associated facility space. However, leasing entities are expected to utilize limited Center services and not perform work for NASA. In that regard, leasing entities will be considered "leasing tenants" instead of partners. To ensure appropriate cost management, the Center must determining the appropriate rates to be charged for leasing tenants at NASA, LaRC. Such leasing costs will include at a minimum, appropriate facility and related costs, appropriate information technology costs, and appropriate Center G&A costs. In accordance with typical market principles, leasing costs will be applied on a square foot rate basis. Finally, the Center may choose to waive costs in the rate if significant financial benefit can be realized for NASA. Final costs collected and not waived from leasing tenants will effectively lower operating costs/rates for existing customers at the Center unless otherwise determined by the Center management In that regard and pursuant to Agency guidance, all proposed rates, cost waivers, and marginal cost changes must be approved by the OCFO.

Approved by LaRC CFO (Ken Winter) 9/29/05