



Republic of the Philippines
Department of Education
Region XI
SCHOOLS DIVISION OF DIGOS CITY
Digos City



February 19, 2020

DIVISION MEMORANDUM
NO. 122 s.2020

COMPLIANCE TO COMMISSION ON AUDIT (COA) MEMORANDA

To: Assistant Schools Division Superintendent
CID and SGOD Chiefs
All Public Schools District Supervisors
Elementary and Secondary School Heads
All Other Concerned

Herewith is the Memorandum No. 13-1219-0536 dated December 13, 2019, from Hon. Alain Del B. Pascua, Undersecretary for Administration, Department of Education, reminding all concerned DepEd officials and personnel to comply with the hereunder memoranda from the Commission on Audit (COA), to wit:

1. COA System and Technical Service Sector Memorandum dated November 28, 2019 regarding Documentary Requirement for the submission of contracts involving government buildings and/or lands leased to private entities/individuals for review by the Technical Service Office.
2. GPPB Resolution No. 019-2007 on Approving and Adopting the Implementation for Lease of Privately-owned Real Estate.
3. For immediate dissemination and strict compliance.


CRISTY C. EPE
Schools Division Superintendent

DepEd Schools Division of Digos City
RECORDS SECTION
RELEASED 54316
DATE: 19 FEB 2020 TIME: 4:59
BY: 

Encls: Document No. ROXI-114, Memorandum No. 13-1219-0536
References:
To be indicated in the Perpetual Index under the following subjects:
Compliance to Commission on Audit
Mpe: COMPLIANCE TO COMMISSION ON AUDIT (COA) MEMORANDA
19 February 2020



Republic of the Philippines
DEPARTMENT OF EDUCATION
REGION XI
Davao City



Address: F. Torres St., Davao City (8000)
Contact/Telefax Numbers: (082) 291-1665/(082) 221-6147

Email: region11@deped.gov.ph

Website: www.deped.gov.ph

MEMORANDUM

To : Schools Division Superintendents/OIC-SDSs

Subject: COMPLIANCE TO COMMISSION ON AUDIT (COA)
MEMORANDA

Date : February 13, 2020



Herewith is the Memorandum No. 13-1219-0536 dated December 13, 2019, from Hon. Alain Del B. Pascua, Undersecretary for Administration, Department of Education, reminding all concerned DepEd officials and personnel to comply with the hereunder memoranda from the Commission on Audit (COA), to wit:

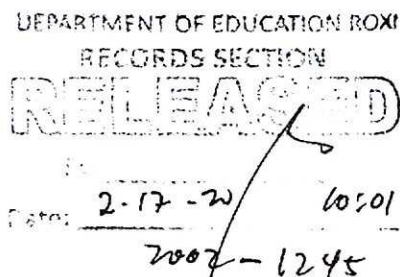
1. COA System and Technical Service Sector Memorandum dated November 28, 2019 regarding Documentary Requirement for the submission of contracts involving government buildings and/or lands leased to private entities/ individuals for review by the Technical Service Office.
2. GPPB Resolution No. 019-2007 on Approving and Adopting the Implementation for Lease of Privately-owned Real Estate.

For immediate dissemination and strict compliance.


EVELYN R. FETALVERO, CESO IV
Assistant Regional Director
Officer-In-Charge
Office of the Regional Director

Enclosed: As Stated.

ROA2/jtg



Empowerment Adaptability Goal-oriented Leadership Excellence

Page 1 of 1

Document Number : ROXI-114
Version Number : 2.0
Revision Number : 0
Date of Effectivity : July 15, 2019



RELEASED
00323

By: 7 Date: JAN 06 2020



Republika ng Pilipinas

Kagawaran ng Edukasyon

Tanggapan ng Pangalawang Kalihim

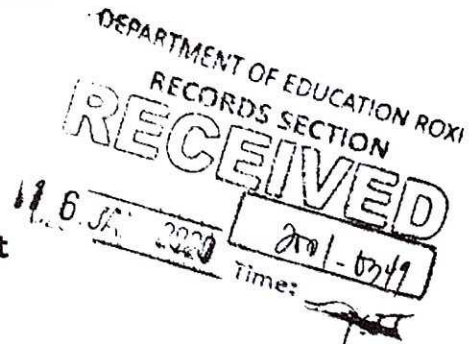
OUA MEMO 13-1219-0536

MEMORANDUM

13 December 2019

For: **All Regional Directors
Schools Division Superintendent
Regional Engineers
Division/Project Engineers
All Others concerned**

Subject: **COMPLIANCE TO COMMISSION ON AUDIT (COA)
MEMORANDUMS**

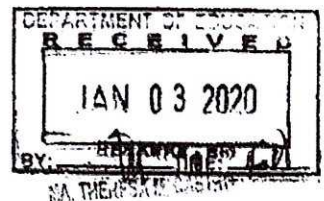


All concerned are hereby reminded to comply with the hereunder memorandum of the Commission on Audit (COA):

- COA System and Technical Service Sector Memorandum dated 28 November 2019 regarding Documentary Requirements for the Submission of Contracts Involving Government Buildings and/or Lands Leased to private Entities/Individuals for review by the Technical Services Office.
- GPPB Resolution No. 019-2007 on Approving and Adopting the Implementation for Lease of Privately-owned Real Estate.

Thank you.


ALAIN DEL B. PASCUA
Undersecretary



Office of the Undersecretary for Administration (OUA)

[Administrative Service (AS), Information and Communications Technology Service (ICTS), Disaster Risk Reduction and Management Service (BLSS), Bureau of Learner Support Services (BLSS), Baguio Teachers' Camp (BTC), Central Security & Safety Office (CSSO)]

Department of Education, Central Office, Meralco Avenue, Pasig City



Republic of the Philippines
COMMISSION ON AUDIT
Office of the Supervising Auditor
Department of Education
Meralco Avenue, Pasig City

05 December 2019

SECRETARY LEONOR M. BRIONES

Department of Education
Meralco Avenue, Pasig City

Attention : **UNDERSECRETARY ANNALYN M. SEVILLA**
Finance

ASST. SEC. ATTY. SALVADOR C. MALANA III
Procurement Management Service

ENGR. ANNABELLE R. PANGAN R
Engineer V
Chief, Education Facilities Division

Dear Secretary Briones: —

Attached for information and appropriate action are copies of the following :

- a. COA System and Technical Service Sector Memorandum dated November 28, 2019 regarding *Documentary Requirements for the Submission of Contracts Involving Government Buildings and/or Lands Leased to Private Entities/Individuals for review by the Technical Services Office.*
- b. GPPB Resolution No. 019-2007 on *Approving and Adopting the Implementation for Lease of Privately-owned Real Estate.*

Please acknowledge receipt hereof.

Very truly yours,

REYNALDO B. FAMORCAN
Audit Team Leader
DepEd-OSEC/Team 3

MIGUELA S. BAON
Supervising Auditor
DepEd 1 Audit Group



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CIRCULAR

No. : 2019 - 005
Date : AUG 07 2019

TO : All Heads of Departments, Bureaus, Offices, Agencies and Instrumentalities of the National Government, Heads of Local Government Units, Managing Heads of Government-Owned and/or Controlled Corporations, COA Assistant Commissioners, COA Directors, COA Auditors and All Others Concerned

SUBJECT : Submission of Contracts Involving Government Buildings and/or Lands Leased to Private Entities/Individuals, for review by the Technical Services Office, Systems and Technical Services Sector

Pursuant to Section 7, Executive Order No. 301, series of 1987, the head of any agency intending to lease out government-owned buildings or spaces for private use, shall have authority to determine the reasonableness of the terms of the lease and the rental rates thereof, and to enter into such lease contracts without need of prior approval by higher authorities, subject to compliance with the uniform standards or guidelines established by the Department of Public Works and Highways (DPWH), and to the audit jurisdiction of the Commission on Audit (COA) or its duly authorized representative, in accordance with existing rules and regulations.

By virtue of COA Circular No. 88-282A issued on March 3, 1988, this Commission adopted the Uniform Standards/Guidelines to Determine the Reasonableness of the Terms and Rental Rates of Lease Contracts for Private or Government Buildings/Spaces promulgated by the DPWH (Annex "A") for the guidance of all officials concerned.

However, results of the audit disclosed that some agencies did not adhere to the guidelines, as there are contracts which were found to be disadvantageous to the interest of the government. Thus, to check the reasonableness of the terms and rental rates of government properties leased to private entities/individuals, it is imperative to review such contracts.

Considering that the reasonableness of rental rates is technical in nature, the review shall be done by the Technical Services Office (TSO), Systems and Technical Services Sector (STSS), this Commission.

Accordingly, all government agencies which have an existing contract involving lease of government building and/or lands with private entities/individuals

L

f

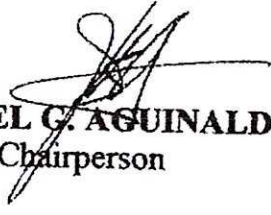
are required to submit to the TSO, STSS, a certified true copy of contracts, within 15 days from publication/posting of this Circular or upon the execution of the contract. The contracts shall be submitted through the respective Audit Team Leader, for agencies in the National Capital Region (NCR), or to the respective Regional TSO for agencies outside NCR.

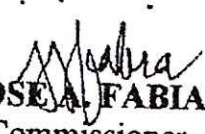
This Circular shall take effect fifteen (15) days after publication in a newspaper of general circulation.



COMMISSION ON AUDIT
OFFICE OF THE COMMISSION SECRETARY




MICHAEL C. AGUINALDO
Chairperson


JOSE A. FABIA
Commissioner


ROLAND C. PONDOC
Commissioner



SYSTEM AND TECHNICAL SERVICES SECTOR
Technical Services Office

COMMISSION ON AUDIT
National Government Sector
No. 2019-003
Cluster 5 - Education and Employment

MEMORANDUM

FOR : All Cluster Directors
National Government Sector

THRU : Assistant Commissioner SUSAN P. GARCIA
National Government Sector

Assistant Commissioner MANOLO C. SY
This Sector

All of This Commission

SUBJECT : Documentary Requirements for Submission of Contracts Involving
Government Buildings and/or Lands Leased to Private
Entities/Individuals for review by the Technical Services Office

DATE : November 28, 2019

In view of the issuance of COA Circular No. 2019-005 dated August 7, 2019, on the Submission of Contracts Involving Government Lands and/or Buildings Leased to Private Entities/Individuals for Review by the Technical Service Office (TSO), and to properly facilitate review thereof, the following documents listed in Annex "A" shall be submitted to this Office together with the said contract.

For your reference.

DANILO M. LAGASON
Director IV

Enclosure:

Annex "A" List of Required Documents to be submitted together with the contract.



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

Annex A

Systems and Technical Services Sector
TECHNICAL SERVICES OFFICE

LIST OF DOCUMENTS TO BE SUBMITTED TOGETHER WITH THE CONTRACT:

A. For Land:

1. Approved Lease Contract/Agreement including the derivation of lease /rental rates
(If derivation of lease /rental rates is submitted and information is complete, Item 2 may not be required);
2. In-house or private company valuation report indicating the following:
 - a. The derivation or source of information/data used in the approach to value (to include the exact location of comparable data);
 - b. Physical characteristics of the property under valuation;
 - c. Statement of property rights or interests involved;
 - d. Utility connections – electricity, water, telephone, sanitary sewer, etc.
 - e. Public transportation, traffic patterns and control;
3. Copy of Transfer Certificate of Title (TCT) or Original Certificate Title (OCT) of land/lot;
4. Lot plan and vicinity map;
5. Colored geo-tagged photographs of subject property;
6. Colored photo/ map showing the exact location of the subject property and comparable property;
7. Copy of the latest Declaration of Real Property;
8. Applicable Zonal Value; and
9. Other documents required as initially evaluated

B. For Building/Office Space

1. Approved Lease Contract/Agreement including the derivation of lease /rental rates
(If derivation of lease /rental rates is submitted and information is complete, Item 2 may not be required);
2. In-house or private company valuation report which include the detailed/breakdown/ computation of the basis of value and exact location of sources of comparable data;
3. Copy of Transfer Certificate of Title (TCT) or Original Certificate Title (OCT) (for entire building only);
4. Complete copy of the building floor plans indicating the rentable space;
5. Complete description of the building as to type, kind and class including its component parts and equipment facilities such as, but not limited to, parking areas, elevators, air-conditioning systems, firefighting equipment, etc.;
6. Copy of the Certificate of Occupancy of the building or appropriate approved document showing the date the building was constructed or age of the building;
7. Copy of the Master of Deed Declaration and Restrictions in case of lease/rental of office condominiums;
8. Colored photos of the interior of the leasable/rentable building/office space;
9. Colored geo-tagged photographs of the building/office space;
10. Colored photo/map showing the exact locations of the subject property and comparable properties; and
11. Other documents required as initially evaluated

**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 the circumstances when negotiated procurement may be resorted to as provided under Section 53 of the IRR-A of R.A. 9183;

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;

Annex A

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.

Appendix A

TABLE OF RATING FACTORS FOR LEASE OF REAL ESTATE

	RATING FACTORS	WEIGHT (%)	RATING
I.	Location and Site Condition		
	1. Accessibility	(25)	
	2. Topography and Drainage	(20)	
	3. Sidewalk and waiting shed	(15)	
	4. Parking space	(15)	
	5. Economic potential	(10)	
	6. Land classification, utilization, and assessment	(10)	
	7. Other added amenities	(5)	
		100	
II.	Neighborhood Data		
	1. Prevailing rental rate	(20)	
	2. Sanitation and health condition	(20)	
	3. Adverse influence	(15)	
	4. Property utilization	(15)	
	5. Police and fire station	(15)	
	6. Cafeterias	(10)	
	7. Banking/postal/telecom	(5)	
		100	
III.	Real Estate		
	1. Structural condition	(30)	
	2. Functionality		
	a. Module	(6)	
	b. Room arrangement	(6)	
	c. Circulation	(6)	
	d. Light and ventilation	(6)	
	e. Space requirements	(6)	
	3. Facilities		
	a. Water supply and toilet	(6)	
	b. Lighting system	(6)	
	c. Elevators	(6)	
	d. Fire escapes	(6)	
	e. Fire fighting equipment	(6)	
	4. Other requirements		
	a. Maintenance	(5)	
	b. Attractiveness	(5)	
		100	

	RATING FACTORS	WEIGHT (%)	RATING
IV.	Free Services and Facilities		
	1. Janitorial and security	(20)	
	2. Air conditioning	(20)	
	3. Repair and maintenance	(20)	
	4. Water and light consumption	(20)	
	5. Secured parking space	(20)	
		100	
I.	Location and Site Condition	$\times (.20) =$	
II.	Neighborhood Data	$\times (.20) =$	
III.	Real estate	$\times (.50) =$	
IV.	Free Services and Facilities	$\times (.10) =$	
	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.

Appendix B

DETERMINATION OF REASONABLENESS OF RENTAL RATES

1. The reasonableness of rental rates may be determined using any of the following methods.

- 1.1. *Computation based on Observed Depreciation*

This method uses the following formula and a depreciation rate determined after meticulous ocular inspection of the actual condition of the real estate:

Reproduction Cost	=	Estimated Unit Construction Cost × (1 - Depreciation Rate)
Formula Rate	=	Reproduction Cost × Monthly Capitalization Rate
Rental Rate	=	Formula Rate × Factor Value
Monthly Rental	=	Rentable Area × Rental Rate

- 1.1.1. The following weights may be used in arriving at the observed depreciation rate:

Status	Depreciation (%)
Good	20
Fair	40
Poor	60
Very poor	80

- 1.1.2. Reproduction Cost refers to the estimated total cost of replacing the real estate with the same utility.
 - 1.1.3. Capitalization Rate refers to the interest rate on the cost or value of the property.
 - 1.1.4. 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.
 - 1.1.5. 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.

- 1.2. *Computation based on Straight Line Depreciation*

This method uses the following formula:

Age of Real Estate	=	Current Year – Year of Construction
Depreciation Rate	=	Please See Table of Structural Depreciation
Reproduction Cost	=	Estimated Unit Construction Cost × (1 – Depreciation Rate)
Formula Rate	=	Reproduction Cost × Monthly Capitalization Rate
Rental Rate	=	Formula Rate × Factor Value
Monthly Rental	=	Rentable Area × Rental Rate

1.2.1. Depreciation rate shall be determined using the following Table of Structural Depreciation provided by the DPWH:

AGE	ESTIMATED LIFE OF REAL ESTATE			
	WOODEN FRAME (40 years)	SEMI-CONCRETE (60 years)	REINFORCED CONCRETE (75 years)	STRUCTURAL REINFORCED (100 years)
	Percentage (%) of estimated life			
1	3	2.5	2	1.5
2	6	4.5	3.8	2.8
3	8.9	6.9	5.6	4.2
4	11.7	9	7.4	5.5
5	14.5	11.1	9.1	6.7
6	17.2	13.1	10.7	8.1
7	19.8	15.1	12.3	9.3
8	22.4	17	13.9	10.5
9	25	18	15.5	11.8
10	27.5	20.7	17.9	13
11	29.9	22.5	18.5	14.2
12	32.2	24.5	20	15.3
13	34.5	26.6	21.4	16.4
14	36.8	27.7	22.8	17.5
15	39	29.3	24.3	18.6
20	49.1	37	30.8	24.8
25	57.7	43.8	36.8	29
30	65	50	42.4	33.6
35	70	55.6	47.5	38
40	75	60.6	52.2	42.1
45		65	56.5	46
50		68.9	60.5	49.6
55		72.3	64.1	53.1
60		75	67.3	56.3
65			70.3	59.3
70			73	62
75			75	64.5
80				67
85				69.3
90				71.4
95				73.3
100				75

1.2.2. 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.

1.2.3. Reproduction Cost, Capitalization Rate, Rentable Area and Factor Value shall have the same meaning as those referred Items 1.1.2 to 1.1.5.

1.3. Comparative Market Price Analysis

This method is based on the conduct of comparative 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 procuring entity. In the lease of vacant lot or other land spaces, the procuring entity shall likewise consider the zonal valuation issued by the city or municipality having jurisdiction over the property.

2. If the price quotation of the prospective Lessor does not exceed the computed monthly rental or is within the prevailing market rates, the rental rate offered may be regarded as reasonable, and its quotation may then be considered for award.
3. Sample Computations for Observed Depreciation and Straight Line Depreciation:

A 5-storey office building made of reinforced concrete structure with mechanical equipment, i.e., elevator, air conditioning system, etc.

Date of Construction	1987
Estimated Unit Construction Cost	P25,000/sq.m
Depreciation	20% (Good condition)
Capitalization Rate	20% (Variable based on bank rate)
Factor Value	90% (Based on rating)

COMPUTATION BASED ON OBSERVED DEPRECIATION

$$\begin{aligned}
 \text{Reproduction Cost} &= \text{Estimated Unit Construction Cost} \times (1 - \text{Depreciation Rate}) \\
 &= \text{P25,000/sq.m.} (1 - 0.20) \\
 &= \text{P20,000/sq.m.}
 \end{aligned}$$

$$\begin{aligned}
 \text{Formula Rate} &= \text{Reproduction Cost} \times \text{Monthly Capitalization Rate} \\
 &= 20,000 (0.20/12) = 20,000 (0.0167) \\
 &= \text{P334/sq.m./mo.}
 \end{aligned}$$

Rental Rate = Formula Rate $\times$ Factor Value
P334 (0.90)
300.60/sq.m./mo. say 300/sq.m.

Rentable Area = 200.00 sq.m.

Monthly Rental = Rentable Area $\times$ Rental Rate
= 200/sq.m. $\times$ P300/sq.m./mo.
= P60,000.00/mo.

COMPUTATION BASED ON STRAIGHT LINE DEPRECIATION

Age of Real estate = Current Year – Year of Construction
= 2007 – 1987
= 20 years

Depreciation Rate = See Appendix B for the Table of Structural Depreciation

Reproduction Cost = Estimated Unit Construction Cost $\times$ (1 – Depreciation Rate)
= P25,000/sq.m. (1 – 0.248)
= P18,800/sq.m.

Formula Rate = Reproduction Cost $\times$ Monthly Capitalization Rate
= P18,800 (0.20/12) = 18,800 (0.0167)
= P313.96/sq.m./mo.

Rental Rate = Formula Rate $\times$ Factor Value
= P313.96 (0.90)
= P282.56/sq.m./mo. say P285.00/sq.m.

Rentable Area = 200.00 sq.m.

Monthly Rental = Rentable Area $\times$ Rental Rate
= 200 sq.m. $\times$ P285.00/sq.m.
= P57,000.00/mo.

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	

	RATING FACTORS	WEIGHT (%)	RATING
I.	Availability		
II.	Location and Site Condition	X (.5) =	
III.	Neighborhood Data	X (.1) =	
IV.	Venue	X (.05) =	
	FACTOR VALUE	X (.35) =	

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.