

## **Leasing Furniture, Facts to Know**

### ***GSA Multiple Award Schedule, Special Provisions – Leasing Furniture***

A lease is defined as a contract established for use of equipment or products, for a specific length of time at an agreed monthly rate. Only items included under a valid Multiple Award Schedule contract may be considered for leasing.

Agencies are advised to follow the guidance provided in the [Federal Acquisition Regulation \(FAR\) Subpart 7.4 Equipment Lease or Purchase](#), and the Federal Property Management Regulation (FPMR) 101-25.5, *Guidelines for Making Purchase or Lease Determinations*, in determining whether equipment should be acquired by purchase or lease, as follows:

EACH OFFEROR MUST SUBMIT ITS COMMERCIAL TERMS AND CONDITIONS FOR LEASE RATES, CANCELLATIONS, AND BUYOUTS, SO THEY CAN BE EVALUATED AND NEGOTIATED BY GSA.

- A. **Lease Types and Time Periods** - The leasing program offered shall be Lease-Purchase or Lease with Option to Purchase (Operating Lease). Each order must specify the type of lease required. Unless the ordering office has funding which exceeds a Government fiscal year, the initial term of the leasing agreement is from the date of item acceptance through September 30 of the fiscal year in which the order is placed, with annual renewals for a total possible lease term of 1, 2, 3, 5, or 7 years (the final renewal may be for a partial year, to complete the period). In that regard, the Government, as lessee, anticipates fulfilling the leasing agreement. The Government, upon issuance of the delivery order, contemplates the use of the equipment for the life of the lease (N months as specified in the delivery order). However, renewal of a lease will be subject to availability of funding. Orders under the lease shall not be deemed to obligate succeeding fiscal year's funds or to otherwise commit the government to a renewal. Under an Operating lease, the term of the lease may not exceed 75 percent of the expected life of the items, and the present value of payments may not exceed 90 percent of the fair market value of the items.
- B. **Scope** - The leasing programs shall be at least national in scope. Vendors may offer leasing to cover only the United States, only for a particular country, or worldwide.
- C. **User Orientation** - The leasing programs shall contain provisions for user orientation to assure maximum utility of the installation.

- D. **Add-On Items** - The leasing programs must allow for add-on items which the leasing agency can use to increase the number of items during the period of the lease (basic plus renewals), if needed.
- E. **Buyout (Prepayment)** - The leasing program shall contain a provision for "buyout" (i.e., purchase of all leased items by the Government) at any time during the lease, prior to the time for exercising the purchase. Offerors shall submit with their offers any commercial practice terms or formulas used for buyouts to be considered by the government. If the offeror has no commercial practice for buyouts, or the submitted buyout terms are unacceptable to the government, one will be negotiated into the contract.
- F. **Residual Value** - Each leasing program should contain a provision for residual value purchase of any or all the leased furniture at the conclusion of the term of the lease. The residual value is a fixed percentage or dollar value, and shall be specified on orders under resultant contracts, including orders issued above the maximum order (MO). Residual value shall be mutually agreed upon by the ordering agency and the contractor. All items not purchased by the Government at the conclusion of the lease shall be dismantled and removed from the Government premises by the contractor within 90 days from expiration of the annual lease term, unless otherwise agreed upon by the contracting officer in writing. Any costs for dismantling and removal shall be negotiated on a case-by-case basis between the ordering agency and the contractor.
- G. **Scheduling of Work** - Before installation is started, the contractors shall arrange with the contracting office or his representative a means of access to the premises, delivery and storage of materials and equipment, use of approaches, corridors, stairways, elevators. Any requests received by the contractor to change the sequence or scope of work shall be referred to the contracting officer issuing the purchase order.
- H. **Additional Payment Terms** - The contractor shall be paid in accordance with the procedures of the Prompt Payment Act, except that Prompt Payment Discounts do not apply to monthly lease payments. The Prompt Payment Act (Public Law 97 – 177 (96 Stat. 85 31 USC 1801)), requires the submission of proper information to be attached or included with the invoice. Bills for less than one month shall be prorated at 1/30<sup>th</sup> of the monthly rate for each calendar day. Payments under this leasing provision shall be due on the 30<sup>th</sup> calendar day after the date of receipt of proper invoice in the government office designated to receive invoices.
- I. **Title** - Assignment of title by the contractor for any leased items will not relieve the contractor of any responsibility of the contract.

- J. **Loss or Damage/Liability and Insurance** - After acceptance, the government shall be responsible for loss of or damage to leased items, except for normal wear and tear and loss or damage caused by the contractor, its agents, or employees. Should the government wish to have the contractor be responsible for such loss or damage, this should be so stated in the request for quote, and negotiated between the vendor and customer. The contractor shall be liable for, and shall indemnify and hold the government harmless against all actions or claims for loss of or damage to property or the injury or death of persons resulting from the fault, negligence or wrongful act or omission of the contractor, its agents or employees. Further, the contractor warrants that the contractor price includes no cost for insurance or contingency to cover such actions or claims. Should the government pay for any loss of damage pursuant to this paragraph, such payments shall not exceed the amount of leasing appropriations available to the ordering agency at the time of the loss. For any losses exceeding the amount of available leasing appropriations, the procedures outlined in FAR Part 33 shall apply.
- K. **Reassignment of Leases and Options** - Lease agreements herein may be reassigned to another government activity. The assignee shall succeed to all rights vested with the government including buyout or purchase option. The lease program is not intended to cover the cost of any movement or reconfiguration required as a result of a reassignment of lease agreements. Any cost for movement or configuration occasioned by reassignment shall be negotiated on a case-by-case basis between the ordering agency and the contractor, outside the scope of the contract.
- L. **Termination of Lease** - The Government reserves the right to terminate this agreement, at any time, under the provision of "Termination for Convenience of the Government", FAR 52.212-4. Offerors shall submit with their offers any commercial practice termination terms or formulas used to be considered by the government. The early termination fee shall not exceed the difference between the payments paid and what the payments would have been had the lease been for the number of months at date of termination. The present value of the items, minus the residual value (if any), will be subtracted from the amount due.
- M. **Annual Percentage Rates** - The Annual Percentage Rates (APR) and lease cost factors covered by this contract apply to leases not to exceed the Maximum Order (MO), currently \$500,000 (net purchase cost). For leases over the MO, APR's and lease cost factors are to be quoted on a case-by-case basis in accordance with standard multiple award schedule procedures. Residual cost percentages are fixed under each order, whether net purchase cost is above or below the MO. For lease requirements under the MO, the lease rate factor and corresponding APR are set, while the residual value is to be mutually agreed upon. For lease requirements

exceeding the MO, the lease rate factor, corresponding APR, and the residual values are all to be agreed upon. Requirements anticipated to exceed the MO must include a requirement for responding vendors to provide the lease rate factor, corresponding APR, and the residual value on the SF-18 or other documents issued for receipt of proposals. During evaluation of leases, ordering agencies will be cautioned to verify that the quoted lease rate factor corresponds to the annual percentage rate quoted. Verification may require the use of a programmable financial calculator. For purposes of this solicitation, the APR base will be the U.S. Government Securities, Treasury Constant Maturities rate(s) which corresponds to the lease lengths (e.g., 3-year, 5-year) under contract. The rates can be found at <http://www.federalreserve.gov/releases/h15/update/>. The “points” above this rate to be allowed by GSA will be negotiated into the contract.

- N. **Design/Installation** - Design or installation costs are not covered by the lease provisions. Requirements for these services are to be negotiated on a case-by-case basis and payment shall be handled under separate purchase order/invoicing documents, and paid upon completion of the service.
- O. **Monthly Payments** - Monthly payments under leases are normally calculated using the Net purchase cost, residual value, and the lease rate factor on a financial calculator or spreadsheet. The government will not pay the residual value or interest twice. The lump sum residual value, if applicable, will be paid at the end of the lease or whenever the buyout option is exercised to effect ownership.
- P. **Economic Price Adjustment (EPA)** - The lease rate for a particular order shall be based on the U.S. Government Securities, Treasury Constant Maturities rate(s) which corresponds to the lease lengths under contract, on the date of quote to the customer. The rates can be found at <http://www.federalreserve.gov/releases/h15/update/>. Adjustments to the lease rate of the contract may be made in accordance with clause 552.216-70, except that the limit increase is not 10 percent. Contractors may request APR base changes by providing documentation of the change in the U.S. Government Securities, Treasury Constant Maturities rate(s) which corresponds to the lease lengths under contract. The rates can be found at <http://www.federalreserve.gov/releases/h15/update/>. However, the Government reserves the right to unilaterally adjust the Rate. Adjustments to the lease rate of the contract may also be made in accordance with clause 552.216-70. Contractors may request changes to the lease rate not related to changes in the base APR by submitting justification for such changes to the contracting officer. Note that any EPA will apply only to new orders after the effective date of the EPA. Once an order is placed, the rate will remain the same for the entire lease period (3-year, 5-year, etc.).

- Q. **Uninterrupted Use** - In recognition of the types of products on this Schedule and the potential adverse impact to the Government's mission, the Government's quiet and peaceful possession and unrestricted use of the equipment shall not be disturbed in the event the equipment is sold by the Contractor, or in the event of bankruptcy of the Contractor, corporate dissolution of the Contractor, or other event, so long as the Government is not in default. The equipment shall remain in the possession of the Government until the expiration or government termination of the lease. Any assignment, sale, bankruptcy, or other transfer of the leased equipment by the Contractor will not relieve the Contractor of its obligations to the Government, and will not change the Government's duties or increase the burdens or risks imposed on the Government.
- R. **Upgrades and Additions** - While the title of the equipment remains with the Contractor, the Government will not affix or install any accessory, addition, upgrade, equipment or device on the items under any lease type without the consent of the Contractor.
- S. **Third Parties** - Third Party Leasing, which is allowed under this solicitation, is defined as a leasing team arrangement in which the Third Party will act as a financial source and take position as the primary contract holder. As the Primary Contract Holder, the Third Party will have responsibility for billing payments, and tracking Government sales information including the submission of the Industrial Funding Fee (IFF). When entering into a lease arrangement with the agency, both the Third Party and Supplier must establish an agreement to define and designate the specific contracting functions and responsibilities as required under the individual task order and solicitation.

For more information about leasing or buying furniture, contact GSA at [furniture@gsa.gov](mailto:furniture@gsa.gov).