**Acquisition Renewal and Termination of Premises Leases**

1. This section describes how to initiate the search for premises to lease; in reviewing the premises; in processing the necessary procurement approvals; and in submitting, to General Operations, Bureau for Management Services, the agreement to be signed by the Requesting Unit (i.e. the HQs unit, the CO, the Policy Centre or other office) and by a commercial landlord for review and approval.
2. The Requesting Unit should first explore the option where the host Government provides a building in “move-in condition”. In most cases, this should be possible. Only where the Government is unable to provide suitable premises, may the Requesting Unit consider leasing premises on the commercial real estate market.
3. The Requesting Unit should compile a proposal, that includes the rationale for moving to the proposed premises; the cost implications; the security aspects; the results of the required due diligence, etc.
4. The identification and evaluation of the new premises is divided into three phases - Preliminary, Refining, and Final.

**Acquisition of Lease**

1. All UNDP-signed leases, irrespective of their nature or whether for UNDP offices or Project offices must be submitted to the Global Shared Service Center (GSSC) and General Operations (GO).  The request for Lease review will be submitted to the GSSC by the CO or HQ unit Premises Focal Points, via the [UNall Portal](https://undp.service-now.com/unall?id=esc_home), together with copies of the relevant supporting documentation (e.g. the Lease agreement).  All original documentation must be properly filed at the respective office submitting the request.

1. The output from all three Phases will form the complete or Final Proposal that will enable GO and/or any relevant review committee, such as UNDG Task Team for Common Premises and Facilities Services (TTCP+FS) to review and make an informed decision on the proposal to lease new office space. Final approval of the related contract is subject to the UNDP procurement committee’s review and the respective Approving Officer approval (depending on the delegation of authority). Please see Final Phase section below.

**Responsibilities and Accountability**

​

| **Responsible party** | **Responsibilities** |
| --- | --- |
| RR/Head of HQ Unit/Head of HQ out posted units | * Maintaining complete and accurate records of premises leased by their offices;
* Submitting the bi-annual physical verification exercise certification documents by the due date.
 |
| GO, BMS  | * Consulting the CAP on disposals of Finance Leases valued >$2,500 and below the DPA
* Consulting the ACP for disposal of Finance Leases over the DPA;
* Maintaining timely and accurate records of Finance Leases in UNDP HQ;
* Maintaining complete and accurate records of leased premises
 |
| CAP/RACP/ACP | * Reviewing and recommending actions for approval of Lease  agreements
 |
| GSSC | * Assessing potential Finance Leases.
* Processing authorized disposals in Quantum;
 |

**Preliminary phase**

1. In acquiring a Lease, the Requesting Unit [COs, Projects, Sub-Offices,; HQs Out-Posted HQs Units; and Policy Centres] will carry out a needs assessment based on the required office space.  The need for office space may arise due to various reasons such as a new division being established; increase in staff numbers; deterioration of the current premises; security-induced relocation issues; etc.
2. For all proposed relocations, the Requesting Unit is required to compile a comprehensive proposal using Tool Kit #1 that includes the rationale for moving to the proposed premises; the cost implications; the security aspects; the results of the required due diligence, etc.
3. The Preliminary Proposal is to be submitted to the Regional Bureau concerned, copying Business Coordination Unit, Bureau for Management Services (BMS). The Regional Bureau, with the support from the Business Coordination Unit, seeks to coordinate and expedite the decision-making process across the respective HQ units and when required from the UNDG TTCP+FS, an inter-agency forum where GO represents UNDP.
4. Tool Kit #1: These tools will assist offices in calculating its space requirements and in preparing the initial cost estimates. The Kit consists of the following items:

1. *CMP Space Guidelines*

This provides guidance on the amount of office space that should be allocated to staff by grade level, in accordance with the CMP Standards.

1. *Preliminary Cost Worksheet*This excel sheet captures any known preliminary costs; e.g. the operational costs of the current location; recurring costs of a future location; and one-off investment costs.

Tool Kit #1 may be downloaded [here.](https://popp.undp.org/node/3746)

1. These worksheets together with the Requesting Unit’s formal justification for additional space will form the Requesting Unit’s Preliminary Proposal. Upon receipt of the Preliminary Proposal, the GO reviews the preliminary space requirements, as well as the cost estimates (if available) for operating the new office space; and for retrofitting the proposed new space (if required). While it is understood that it is often not possible to obtain such cost estimates by this time, any estimates of the total costs to be incurred in moving to the new premises will be useful in the submission.
2. Where the proposed new Lease will increase the operating costs of the Requesting Unit, the ability to sustain such an increase in costs will need to be reviewed by the relevant Regional Bureau. If approval is provided for the Unit to proceed after review of the preliminary phase proposal, the GO or Regional Bureau will send out the second set of tools in order to assist the Unit with refining the proposal.
3. The Preliminary Proposal will be included in the submission to CAP/ACP, once GO has endorsed the Lease.

**Refining phase**

1. During this phase, the Requesting Unit updates its Preliminary Proposal using the templates and tools provided in [Tool Kit #2a.](https://popp.undp.org/node/3756)  This phase ensures that due diligence is carried out on the potential premises and that value for money is confirmed by comparing the potential costs with other similar premises. This is the time to conduct additional assessments related to security, in cases where the SO has advised that this be done. The cost estimates of any recommendations resulting from such assessments should be incorporated into the cost benefit analysis accordingly. Relevant HQ unit (GO, SO, etc.), in coordination with the Business Coordination Unit (BMS) and the Regional Bureau may provide guidance throughout any of the processes, if required.
2. When implementing Tool Kit #2, the Requesting Unit may not have all cost estimates available. In most cases, the Requesting Unit should be able to identify the operational costs of the options, but will not yet be in a position to know the one-time capital investment costs for retrofitting (e.g. partitioning, LAN cabling, etc.). The purpose of this exercise is to obtain as complete a picture as possible. The office should, therefore, make a best estimate of all potential costs in making the premise ready for use.
3. Tool Kit #2**:** These tools consists of the following items:
4. *Premises Checklist & Lease Considerations*: The aspects that the Requesting Unit should take into account when researching options in the local real estate market for potential premises.
5. *Security and Risk Assessment (SRA)*: To be conducted by the local United Nations Department of Safety and Security (UNDSS). (See below)
6. *Cost-Benefit Analysis (CBA) & CBA User Manual*: A series of excel sheets for comparison of three identified premise options in terms of space, costs and suitability.
7. *Bureau for Management Services (BMS) Cost Matrix*: To provide an executive summary of the CBA and help determine the different funding components. The cost estimates mentioned here should match those in the CBA.
8. *Standard Letter of Interest (LOI)*: For premises are to be shared with other UN Agencies, the LOI signed by those Agencies. By signing the LOI, the respective Agency confirms that it has consulted and obtained approval from its HQs.

Tool Kit #2b may be downloaded [here.](https://popp.undp.org/node/3741)

1. Local Market Research

The Requesting Office is to use the guideline ‘Premises Checklist & Lease Considerations’ to research the local real estate market, and identify at least three (3) options. In case the Requesting Unit does not have the in-house staffing resources to perform this research and complete the necessary tools, the Requesting Unit may engage a local a real estate expert to undertake the research activities. It should be noted that this expert will be funded from the Requesting Office’s budget (or cost-shared in cases where other Agencies are participating).

1. Security and Risk Assessment (SRA)

All UN premises are required to meet the Minimum Operating Safety Standards (MOSS). Each of the identified premises options *must,* therefore, be subjected to a Security & Risk Assessment (SRA) conducted by the local United Nations Department of Safety and Security (UNDSS). The SRA will indicate what security measures will need to be implemented in and around the premises in order to meet the approved security standards. Even though costing estimates for the security enhancements may not be available at this stage, the Requesting Unit should be in a position to get a good estimate of the scope of works. Once the costs associated with the security enhancements are known, they should be factored into the Cost Benefit Analysis (CBA) and BMS Cost Matrix.

The Requesting Unit is to submit all SRAs to the UNDP Security Office (SO) for further review. On the basis of the SRA, the SO will provide: clearance of the identified premises from a security perspective; and guidance on what additional building assessments will be required, e.g. Fire Safety Assessment. If the SO considers the environment of the duty station to be high risk, a Blast Assessment may be required to determine what additional security measures are needed to mitigate the risk from a bomb blast.

1. Cost Benefit Analysis (CBA)

The Requesting Unit should perform a Cost-Benefit Analysis (CBA) of the short-listed premises options. The CBA is comprised of a series of worksheets that are inter-linked. All the Requesting Unit needs to do is to input the available data, i.e. recurring cost estimates; expected capital investments; space requirements; etc. The CBA also includes a decision-making matrix that will assist the Requesting Unit in identifying *the preferred option* from the shortlist, based on location, space, safety & security and cost.

1. Bureau for Management Services (BMS) Cost Matrix

The BMS Cost Matrix is the final step in the process of refining the proposal. It serves as an executive summary of the CBA that will assist both the Requesting Unit and UNDP HQs reviewing units to identify the various funding sources for the various cost components. It is therefore important that all costing figures match those of the CBA.

1. Letter of Interest (LOI)

In most instances, UNDP acts as the lead Agency and will sign the Lease on behalf of other Agencies. It is essential to document the commitment of all participating Agencies from the onset of the project. This is done by having the Agencies commit on their participation in writing using the Standard Letter of Interest (LOI). These LOIs will then serve as stepping stones to the legally-binding Memorandum of Understanding (MOU). Please note that the final MOU, which the Agencies will sign with UNDP, may only be signed after UNDP has signed the Lease agreement with the Landlord. In rare circumstances, another UN Agency may be leading a similar arrangement and will sign the Lease with the Landlord. UNDP will sign an LOI and MOU with that Agency.

1. Refined Proposal

When all the steps of the Refining Phase have been implemented, the Requesting Unit will be able to determine which of the shortlisted identified premises options are valid for further consideration; and should have selected preferably three qualified premises options.  The Refined Proposal should now include the completed premises checklist, the SRA, the SO’s clearance of the SRA, the CBA, the BMS Cost Matrix, and – if necessary – a revised Space Requirements Worksheet and/or LOI and is now ready for submission to GO for review.

1. Review

The GO, BMS will review all submitted documents and may ask the Requesting Unit for further clarifications. Furthermore, the Requesting Unit may be asked to address funding issues with the relevant Regional Bureau. Based on the documentation submitted and further clarifications provided, GO will be in a position to clear the business case for the Lease agreement – which will be the next and final phase.

**Final phase**

1. After the GO recommends the business case of the Refined Proposal, the third set of tools will be sent to the Requesting Unit to assist in the completion of the proposal.
2. Tool Kit # 3**:** This set of tools serves as the baseline for Lease negotiations with the potential Landlord; for Memorandum of Agreement (MOA) negotiations with the Government; and for MOU negotiations with the participating Agencies. It is comprised of the following:
3. *Standard Lease Template:* This template was developed by the Executive Committee (EXCOM) Agencies and vetted by the United Nations Office of Legal Assistance (UNOLA). Please note that this is not a UNDP-specific template but a template that is used throughout the UN system.
4. *Lease Checklist*: This guideline lists the possible pitfalls and issues when negotiating with a potential Landlord and when drafting a Lease agreement that is acceptable to both UNDP and the Landlord.
5. *MOU/MOA*: This template was developed by the Executive Committee Agencies and vetted by UNOLA. Please note that this is not a UNDP-specific template but used throughout the UN system.

Tool Kit #3 may be downloaded [here](https://popp.undp.org/node/3751).

1. Lease  Agreement

A Lease is *an agreement whereby the Landlord conveys to UNDP, in return for a payment or a series of payments, the right to use an asset for an agreed period of time*”. This definition shows that a Lease requires a series of payments to the Landlord in return for the use of an asset, in this case premises.

Following Lease negotiations between the UNDP Requesting Unit and the Landlord, the Requesting Unit will be able to submit an initial first draft version of the Lease to GO and the Office of Legal Services (OLS), BMS. The **Lease checklist** should be used to ensure that all relevant issues have been addressed. GO and OLS may ask the Requesting Unit for further clarifications. In most cases, the Requesting Unit will be required to negotiate further terms and conditions in the Lease. It may take several draft versions before both UNDP and the Landlord can come to an understanding.

After OLS and GO have cleared the final version of the Lease agreement, the GO will transmit, to the Requesting Unit, a memo that formally confirms its non-objection to the Lease that will be submitted to the CAP/ACP.

Concurrently, the Requesting Unit can commence a similar review of the MOU. Please note that the per-Agency space allocations in the MOU should reconcile to the space allocations in the LOI (that was previously signed by the participating Agencies). Additionally, the Requesting Unit should be aware that the **MOU should be signed before the signature of the Lease agreement.**

1. Submission to the Contracts and Assets Procurement Committee (CAP)/Advisory Committee on Procurement (ACP)

The Requesting Unit combines the documentation that results from completing the three sets of tools: i.e. the Space Requirements sheet; the SRA and SO’s clearance; the CBA and BMS Cost sheet; the final version of the Lease  agreement; GO’s formal clearance thereof; and – where applicable – the LOI signed by all the Participating Agencies. The Requesting Unit then submits combined documents (the Final Proposal) to the CAP/ACP for review and approval. Upon receipt of CAP/ACP approval, the Requesting Unit may proceed with signing the Lease agreement, and, if applicable, the MOU with the Participating Agencies.

1. GSSU Review

After the agreements have been signed, the Requesting Unit should send the Lease documents and the MOU for review by the GSSC to determine the appropriate accounting treatment. The request will be submitted to the GSSC by the Premises Focal Points, via the [UNall Portal](https://undp.service-now.com/unall?id=esc_home), together with copies of the relevant supporting documentation (e.g. the Lease agreement and the GSSC confirmation that the Lease is a Finance Lease). All original documentation must be properly filed at the respective office submitting the request.

1. Bi-Annual Certification

The Requesting Unit is expected to certify the information on the signed agreement(s) bi-annually in June and December together with the bi-annual physical verification of Property Plant and Equipment (PP&E).

**Recording of Leases**

1. All signed Leases will be submitted to the GO on SharePoint and GSSC using the [UNall Portal](https://undp.service-now.com/unall?id=esc_home).
2. The request will be submitted to the GSSC by the Premises Focal Points, via [UNall Portal](https://undp.service-now.com/unall?id=esc_home), together with copies of the relevant supporting documentation (e.g. the Lease agreement and the GSSC confirmation that the Lease is a Finance Lease).  All original documentation must be properly filed at the respective office submitting the request.
3. For Operating Leases, the rental payments will be charged to the Rent Expense account by the UNDP offices as part of its regular transaction processing
4. If the Lease agreement qualifies as a Finance Lease in line with the applicable criteria (*please see criteria under Finance Leases*), then UNDP has to recognize an asset and a liability:
5. The asset represents the right to use the asset during the Lease term
6. UNDP also has to recognize a corresponding obligation (liability) for the Lease payments using the same value. This asset and liability will be recorded by the GSSC. The liability represents the minimum Lease payments UNDP has to pay to the Lessor. As stated in the above sections, the respective units should submit the Lease for review by the GSSC to decide, whether the Lease qualifies as a Finance Lease. As this is a technical accounting matter, this determination will be made by the GSSC and, if required, the asset will be added manually in the Quantum Fixed Assets module

**Leasehold Improvements**

Refer to [Leasehold Improvements POPP](https://popp.undp.org/taxonomy/term/271)

**Recognition of Decommissioning Expenses and Similar Costs**

1. Decommissioning and similar costs occur when the terms of a Lease include a requirement for UNDP to remove its specialized assets (Leasehold Improvements; Plant; and Equipment) from the leased premises prior to vacating those premises; or to compensate the landlord accordingly.
2. If the terms of a Lease include such a requirement, then UNDP has to record a liability in its financial statements.
3. UNDP will recognize a liability for a Decommissioning Expense where the following conditions are met:

1. UNDP has a present requirement: *the Lease  imposes a contractual requirement on UNDP to remove the asset at the end of the asset’s useful life or upon vacating the premises*;
2. It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
3. It is probable that the Landlord is going to apply the decommissioning clause of the Lease. [In the case of UNDP, it is necessary to take into account past experience. In some instances, the landlord may prefer to keep the security improvements made by UNDP in the premises. In such circumstances, the requirement is not probable and no liability is recognized in the financial statements.]
4. A reliable estimate can be made of the amount of the requirement. [A reliable estimate is always available.]
	* 1. The UNDP Standard Lease Agreement contains an Article that limits its exposure to decommissioning. Article 17(c) *states: “Where, with the prior written consent of the Landlord, major alterations, renovations or additions are made on the demised Premises, UNDP shall not be under any obligation to restore the demised Premises to the state and conditions existing prior to entering upon the same under this  Agreement.  Such consent shall be set forth in writing and shall contain provisions on the amortization or compensation of the expenses either through offsetting the expenses against rental payments, or payment for their fair market value.*”
		2. Disposal and/or Write-Off of assets will need to be reviewed by the relevant committees and approved by the relevant Approving Officers in accordance with the delegation of authority (refer to the POPP section on Equipment and Furniture); and with the Internal Control Framework sections governing authorization levels and segregation of duties.

**Accounting Treatment of Decommissioning**

1. If a liability is to be recognized, the accounting treatment will depend on the Lease classification:
2. Finance Leases: The estimated value of the requirement will be added to the Finance Lease cost (Debit). The credit is a provision (liability and the expense will be raised.). The additional asset is depreciated over the Lease term. When UNDP has to decommission the asset, the provision is used (instead of recording an expense in the statement of financial performance);
3. Operating Lease: the estimated value of the requirement is recorded in full as an expense when the agreement is signed (debit). The credit is a provision/ liability and the expense will be raised. When UNDP has to decommission the asset, the provision is used (instead of recording an expense in the statement of financial performance);
4. Actual Cost: Where the actual cost incurred on decommissioning is different from the initial estimate, then the difference is recognized in the statement of financial performance of the current year.
5. Budget Check: The utilization of the provision will not be budget-checked unless the expense exceeds the provision

**Insurance of Leased Premises**

1. The Standard Lease Agreement provides for the Landlord to insure the premises as the rightful owner of the building and the party with “insurable interest.” UNDP’s responsibility is limited to insuring the building contents, the furniture and the equipment.  Since UNDP self-insures its office equipment, no insurance is required unless the office considers the risks of fire and theft to be unusually high.  For more information, please refer to the POPP section on Insurance.

**Renewal/ Amendment of Lease**

1. Lease Renewal will follow the same process as Acquisition as UNDP’s policy is to apply its procurement principles at the time of Lease and Contract Renewal.  In the same vein, a unit may submit a justification for direct contracting at the time of renewal, should there be compelling reasons to remain in the premises e.g. the cost of relocation outweighs the benefit of new premises; security justifications; etc. Other reasons may be an expansion of the office or other changes in the current situation.

**Initial phase – preparing information**

1. Inform the GO

Whatever the reason for amending the Lease agreement, it is important to inform the GO as soon as possible.

1. Review Support

In order to facilitate a proper review, the BMS Business Coordination Unit will coordinate internal reviews such as the GO and other business units as required. The GO, through the Business Coordination Unit, will provide the Requesting Unit with a package that contains a standard template for amending Lease agreements; and a Deviations Matrix. The Requesting Unit will be required to include the previous clearance of the Lease agreement following documents with its submission: the last signed Lease agreement; the SRA Report; and the previous CAP/ACP meeting minutes. In some cases, GO may ask for additional information, such as floor plans, structural/seismic reports, the MOU where other UN Agencies are accommodated in the premises.

1. Compiling Information

The Requesting Unit will then compile all the necessary information and submit its proposal to GO for review.

**Review phase**

1. Review

GO reviews the submitted materials from a business perspective and consults with the relevant parties at HQs whether the proposed amendment will also meet the requirements from the security perspective (the Security Office); from the legal perspective (OLS ); and from the funding perspective (the appropriate Regional Bureau, and Office of Financial Management, if necessary).

1. Non-Objection

Once all the requirements are met, GO will be in a position to send a memo to the Requesting Unit as a formal acknowledgement of their non-objection to the proposed amendment.

1. CAP/ACP Submission

Subsequently, the Requesting Unit combines the documentation that has been compiled thus far: i.e. the current Lease  agreement, GO’s previous clearance of the Lease , the SRA and SO’s clearance, GO’s formal endorsement of the amendment, etc.; and submits the combined documents to CAP/ACP for their review.

1. CAP/R/ACP Review

The CAP/R/ACP reviews the case from a procurement perspective. Upon clearance from CAP/R/ACP and the approval of R/CPO, the Requesting Unit may proceed with signing the amendment to the Lease agreement.

1. Signature of Amendment

After the amendment has been signed, the Requesting Unit should send a copy to GO and GSSC for their records (similar process as with new Leases).The Requesting Unit should certify the information on the signed amendment in at least twice per calendar year, e.g. on 30 June and 31 December.

**Termination / Disposal of Lease**

1. A Lease agreement together with all related MOUs are legal documents that lapse in line with the termination clauses within the agreements. As the termination of Lease agreement is in effect the breaking of a contractual agreement, the Requesting Unit should consult with GO and OLS before doing so.
2. Finance Leases: When a Finance Lease is terminated, then the disposal within the Quantum Fixed Assets Module must comply with the disposal procedures laid out in the [PP&E POPP section](https://popp.undp.org/taxonomy/term/271); and must adhere to the [Internal Control Framework](https://popp.undp.org/node/10966) with regards to authorization levels and segregation of duties.

**Templates and Forms**

​

[Toolkit #1](https://popp.undp.org/node/3746)

[Toolkit #2a](https://popp.undp.org/node/3756), [Toolkit #2b](https://popp.undp.org/node/3741)

[Toolkit #3](https://popp.undp.org/node/3751)