



General Government Division

B-280150

July 10, 1998

The Honorable Bob Schaffer
House of Representatives

Subject: Natural Resources Research Center, Fort Collins, CO

Dear Mr. Schaffer:

This letter responds to your September 25, 1997, request for information on the General Services Administration's (GSA) Public Buildings Service (PBS) acquisition of leased office space in Fort Collins, CO, for the federal agencies comprising the Natural Resources Research Center (NRRC). You expressed concerns regarding the underlying need for the acquisition and the restrictive requirements of PBS' Solicitation for Offers (SFO). You were also concerned about PBS' apparent aversion to considering an alternative to acquiring newly constructed space, such as the use of renovated existing buildings.

Through discussions with your office, we agreed to address the following three questions:

- (1) What was the justification for the consolidation of agencies in Fort Collins?
- (2) Were the requirements in the PBS SFO consistent with the stated needs of the planned tenant agencies?
- (3) What was the basis for the claim in an NRRC press release that the project will save \$100 million over the next 30 years?

To gather information on the NRRC lease acquisition, we interviewed PBS officials in Washington, D.C., and Denver, CO, and U.S. Department of Agriculture (USDA) officials in Washington and Fort Collins. Among the officials we interviewed were the PBS contracting officer, who is located in Denver, and the Executive Leader of the NRRC Executive Committee, who is located in Fort Collins. The Executive Leader is also the Director of the Forest Service's Rocky Mountain Research Station. The committee is comprised of the heads of the federal agencies involved with the NRRC project. We also obtained and reviewed documentation concerning the NRRC acquisition from PBS' contract file in Denver and NRRC Committee project files in Fort Collins.

While in Fort Collins, we visited the site where the building to be leased is to be constructed. Where possible, we obtained documentation to corroborate oral statements by federal officials, but we did not independently verify the information contained in those documents or in a USDA economic analysis of the expected cost savings from the initial phase of the planned consolidation. We obtained comments on a draft of this letter from GSA, USDA, and the NRRC Executive Committee and discuss their comments near the end of this letter.

We did our work in Washington, D.C., and Denver and Fort Collins, CO, between October 1997 and May 1998, in accordance with generally accepted government auditing standards. As agreed with your office, our work in Colorado did not begin until PBS had awarded the contract for the new space. The contract was awarded on March 26, 1998.

BACKGROUND

In the early 1990s, PBS was asked to provide its expertise to assist in developing the NRRC project, which is a joint effort between federal agencies, primarily USDA agencies located in the Fort Collins area, and Colorado State University (CSU), all of which were involved in natural resources research. At that time, PBS' primary role was to assist in the negotiations with CSU for land owned by the University on which to construct the office and related space for the NRRC. However, a satisfactory agreement could not be negotiated with CSU. During November 1996, PBS notified CSU that it was moving forward with a competitive procurement that would include other sites in Fort Collins.

During January 1997, PBS issued an SFO to lease about 122,000 square feet of rentable office and related space. This square footage was later amended to 113,500 square feet. The SFO required that the space be in a newly constructed building, with a maximum floor size of 41,000 square feet, and be built on a 29- to 35-acre campus. The SFO also specified that the government would have a 5-year option to lease the remaining unused acreage for future government development.¹ The SFO required that the site be located in a delineated area of Fort Collins.

PBS received 31 offers in response to the SFO. On March 26, 1998, PBS awarded a contract for 116,830 square feet of rentable space at a fixed 20-year annual rent of \$1,999,200.² Only the portion of the rent that covers operating costs, about \$365,000, is

¹To meet this requirement, the offerer could own the parcel or have a valid option to acquire the parcel.

²The award of the contract had been delayed several months while PBS and USDA worked out an occupancy agreement for the term of the lease. USDA agreed to a firm occupancy commitment for 10 years and an option to buy out the final 10 years of the 20-year lease if it chose to vacate the building at that time.

subject to escalation. The lease also contains two 5-year option periods for the extension of the contract after the initial 20-year period. The land on which the NRRC is to be built, which is owned by CSU, is very near the previous site for which PBS and CSU had been negotiating before the issuance of the SFO. The new building is scheduled to be completed during November 1999.

RESULTS IN BRIEF

Efforts to consolidate federal agencies in the Fort Collins area began during the late 1980s. The primary objectives were to (1) consolidate natural resources research by several federal agencies in Fort Collins, where they would be near CSU, which was also involved in natural resources research as well as education, and (2) improve research program operations and reduce operational costs. Further, in 1994, the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 directed the Secretary of Agriculture to combine field offices, where practicable, to reduce personnel and duplicative overhead expenses. This provided momentum for the consolidation of USDA activities in Fort Collins.

The PBS contracting officer told us that the requirements in the SFO were based on known needs and conditions. Specifically, the SFO requirement for a new building was based on a PBS market survey of the Fort Collins area, which showed there were no available existing buildings with sufficient square footage or available expansion land to meet NRRC's needs. He said the requirement that the new building be constructed on a 29- to 35-acre parcel of land was based on a plan to, over time, build a five-building campus for the agencies that would be consolidated in Fort Collins. This parcel needed to be near CSU to achieve one of the NRRC strategic goals of improving collaboration between federal researchers and CSU researchers and educators.

The maximum floor size (footprint of the building) stipulated in the SFO, which was 41,000 square feet, conformed with the goals of minimizing the amount of land needed for the planned five-building campus and accommodating each of the planned occupant agencies on a separate floor of the building. The requirement for the 5-year option on the land was based on plans for the possible construction of four additional buildings on the site. However, if the additional buildings are not needed, the government will not be required to exercise the option on the unused land in the parcel. Finally, the building proposed by the lessor and the tenant finishes (space layout, floor and wall coverings, etc.) was based on normal GSA specifications.

In 1993, an economic analysis prepared by USDA officials showed that consolidating four agencies at the NRRC would result in a 30-year savings of about \$109 million, in 1993 dollars. Four cost components were identified as areas of potential savings—space, staff/operations support, procurement support, and computer and telecommunications functions. This economic analysis has not been updated.

NEEDS AND CONDITIONS PROMOTING
CONSOLIDATION WERE ESTABLISHED

Efforts to consolidate federal agencies located in the Fort Collins area began during the late 1980s. These efforts were initiated primarily by USDA officials on behalf of several of the agencies that would benefit from the consolidation.³ The federal agencies that initiated the project were engaged in natural resources research and development. Part of the basis for their proposal was to relocate closer to CSU, which was also involved with natural resources research as well as teaching. Specifically, collocation of the dispersed agencies' research efforts into a single, modern campus facility close to their CSU counterparts was expected to (1) improve collaboration among federal researchers; (2) improve collaboration between federal researchers and CSU researchers and educators; (3) improve accessibility, service, and the delivery of information to the public; and (4) reduce administrative and support cost through the sharing of such services as human resources and payroll and the joint use of common space, such as conference rooms and telecommunication equipment. The agencies expected the consolidation to improve program operations and reduce their operational costs.

Momentum was also provided for the consolidation by the enactment of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994.⁴ One provision of the law directed the Secretary of Agriculture, when practicable and to the extent consistent with efficient, effective, and improved service, to combine field offices of agencies within USDA to reduce personnel and duplicative overhead expenses.

SFO REQUIREMENTS WERE CONSISTENT
WITH AGENCIES' STATED NEEDS

In reviewing the SFO requirements, we looked at the requirements you identified as restrictive. Specifically, we looked at (1) why a new building was required and an existing building would not be acceptable, (2) why a large parcel of land was needed, (3) the basis for the building floor-size requirement, (4) the basis for the 5-year land option, and (5) the design concepts for the space to be acquired.

³The agencies initially included in the planning for the Fort Collins Natural Resources Research Center complex were: USDA - Forest Service, Animal and Plant Health Inspection Service, Agricultural Research Service, Natural Resources Conservation Service, and the Office of the Chief Information Officer; U.S. Department of the Interior - Geological Survey, and Health and Human Services - Centers for Disease Control.

⁴Public Law 103-354, 108 Stat 3178, 3211 (7 U.S.C. § 6915).

New Building Was Specified Because Existing Structures With Expansion Land Were Not Available

PBS' SFO specified that first-class office and related space was required. The space offered had to be in a newly constructed building of sound and substantial construction and had to be able to meet the specific requirements set forth in the solicitation. According to the PBS contracting officer, the requirement for a new building was based on a PBS market survey of the Fort Collins area. The survey, which included discussions with Fort Collins city officials, found there were no available buildings with sufficient square footage and expansion land to meet USDA requirements. According to the contracting officer, no written report was prepared for the market survey.

Parcel Size Requirement Was Based on Early Concept Plan

The SFO required the building provided be on land that was part of a 29- to 35-acre site within specified boundaries in the Fort Collins area. According to the PBS contracting officer, the amount of land specified was based upon conceptual drawings that USDA agencies had prepared during their initial strategic planning. That plan, which we reviewed, called for the construction of five separate buildings with, in total, about 317,000 square feet of office and related space. The contracting officer said the early concept plan called for about 30 acres of land. He said PBS also believed approximately that amount of land would be required for the campus. The contracting officer said, as part of the planning process, PBS used 30 acres as a baseline when looking for potential sites within the Fort Collins area. To ensure adequate competition, a geographical area of consideration was established so several possible sites would be available to potential developers.⁵ According to an NRRC official in Fort Collins, the area of consideration covered about 30 square miles.

Building Floor-Size Requirement Was Set to Minimize Land Usage and Accommodate Agency Needs

The SFO required the maximum floor size (building footprint) be 41,000 rentable square feet. According to the PBS contracting officer, the maximum floor size was used to minimize the amount of land that would be required. For example, to construct the same amount of office space in a one-story building would require considerably more land to construct upon than the proposed three-story building. Also, the total acreage required

⁵According to the SFO, the geographical boundaries were as follows: beginning at Harmony Road and I-25, West on Harmony Road to Shields St., North on Shields St. to Cherry St., East on Cherry St. to U.S. 287, South on U.S. 287 to Riverside Ave., Southeast on Riverside Ave. to Mulberry St., East on Mulberry St. to I-25, then South on I-25 to the point of beginning.

for the planned five-building campus would be greater than anticipated when the SFO was prepared, if, for example, a one-story building were to be constructed. The contracting officer said the maximum floor size was also based upon the desire to accommodate the needs of three planned occupants on separate floors of the building, to the extent possible. The Forest Service, which will require the most space, said it needed about 41,000 square feet.

Five-Year Land Option Requirement Was to Protect Against Unforeseen Circumstances

The SFO contained an option for PBS to lease all or part of the unused 29- to 35-acre parcel for 5 years after the occupancy of the completed building. According to the PBS contracting officer, this option provision was placed in the SFO to ensure that if the government's plan to construct additional buildings is implemented, there would be sufficient land. However, if some unforeseen circumstance occurred, such as budgetary reductions limiting or eliminating future construction, the government would not have to exercise the option and the remaining land could go back on the market. It was believed that within the 5-year timeframe, the government would have a firm understanding of what additional building(s) would be required.

According to a NRRC official, while the plans are not yet finalized, the NRRC Executive Committee expects a second building to be constructed to house additional Forest Service personnel and the Department of the Interior's, U.S. Geological Survey personnel by the year 2000, and a third building for the consolidation of USDA's Animal and Plant Health Inspection Service field offices by 2002. The committee also expects the two other buildings in the original concept plan will be needed, but probably not until about 2005.

Building Design Concepts Met Normal GSA Building Standards

According to the PBS contracting officer, the proposed building's construction and the tenant finishes comply with normal GSA specifications. We examined the samples of the building materials that were submitted by the developer to be used on the exterior of the building and the interior lobby. The floors of the building are to be ceramic tile and the walls are to be either wallpapered or painted. The exterior of the building is to consist of brick veneer and aluminum windows.

Although the building is to contain a lobby/atrium, it is not to be constructed with marble and will not have a glass ceiling or any finishes that could be considered extravagant. The atrium is to be a two-floor-high lobby and extend from one side of the building to the other, separating the building's two wings. There are to be two main entrances to the building, one at each end of the atrium. The third floor of the building, which will serve

as the ceiling to the atrium, will connect the two wings of the building and provide a passageway between the wings. The building materials in the atrium are to be wallboard with wallpaper for the first-floor height and painted wallboard for the upper portion of the space.

BASIS FOR PUBLISHED SAVINGS ESTIMATE

In 1993, an economic analysis prepared by USDA officials projected that consolidating staff from four USDA units⁶ in the initial phase of the NRRC would result in a 30-year savings of about \$109 million, in 1993 dollars. We did not independently verify the financial data contained in the analysis. This analysis had not been updated to reflect subsequent changes in the NRRC complex plans and design, specific occupants for the initial phase of the complex, and occupancy dates.

Four cost components were identified in the economic analysis as areas of potential savings:

- Space: Space cost savings of about \$20 million were expected to result from eliminating the space requirements of duplicate support functions and from the sharing of laboratory, conference, and training space.
- Staff/Operations support: Support staff and operational savings of about \$23 million were expected from consolidating such services as human resource services, facility management, mail management, and library services.
- Procurement support: Procurement services savings of about \$8 million were expected to result from such factors as combining procurement services and the increased use of volume discounts.
- Computer and telecommunications: Integrating information resources management through consolidation and streamlining computer and telecommunications functions were expected to save about \$58 million.

AGENCY COMMENTS

On June 16, 1998, we requested comments on a draft of this letter from the USDA Acting Assistant Secretary for Administration, GSA Rocky Mountain Regional Administrator, and the NRRC Executive Committee's Executive Leader or their designees. On June 25, 1998, we received oral comments from the USDA's Chief, Property Management Division; GSA's Contracting Officer; and NRRC's Project Leader. Each official stated that the draft letter

⁶Forest Service, Soil Conservation Service, Office of Information and Resource Management, and Agricultural Research Service.

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presented the facts fairly and provided an accurate summary of the project. The latter two officials also provided some technical comments, which were incorporated in this letter.

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We are sending copies of this letter to the Chairmen and Ranking Minority Members of the House and Senate Committees with jurisdiction over USDA and GSA; the Secretary of Agriculture; the Administrator of GSA; and the Executive Leader of the NRRC Executive Committee. Copies will also be made available to others upon request.

The major contributors to this letter were Ronald King, Assistant Director; John Parulis, Evaluator-in-Charge; Thomas Johnson, Senior Evaluator; and Thomas Keightley, Senior Evaluator. If you have any questions, please contact me at (202) 512-8387.

Sincerely yours,



Bernard L. Ungar
Director, Government Business
Operations Issues

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