

National Security and
International Affairs Division

B-248641

May 14, 1992

The Honorable Sam Nunn
Chairman, Committee on Armed Services
United States Senate



146617

Dear Mr. Chairman:

As requested, we examined the National Security Agency's (NSA) rationale for its proposed lease of commercial special-purpose space adjacent to its headquarters at Fort George G. Meade, Maryland, as part of its planned reduction in personnel and space. This letter summarizes our observations and conclusions, which we presented to your staff on May 4, 1992.

On the basis of our examination of available documentation and discussions with key agency personnel, we concluded that NSA had (1) developed a plan for its reduction in personnel and the amount of space needed for operations and (2) adequately identified and evaluated alternatives for managing its space reduction. Although we did not validate individual cost data in NSA's economic analysis of the alternatives, we have no basis to question the accuracy of the data. We believe NSA has reasonably identified the cost factors that would affect a comparative economic analysis of those alternatives.

In addition to identifying cost reductions that will occur from the proposed lease, NSA has also identified intangible benefits that would accrue to the work force and improve overall operations and maintenance planning. On the basis of these savings and benefits, NSA has decided to lease commercial special-purpose space adjacent to Fort Meade. Given the results of NSA's evaluation, we have no basis to question the validity of NSA's decision.

SPACE REDUCTION PLAN

In late 1989, NSA developed a model to help the agency manage anticipated budget reductions. With the model, NSA analyzed the impact of various funding levels on investment, operations and maintenance costs, and salaries for the civilian and military work force. On the basis of

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these analyses, NSA projected a reduction in civilian and military positions, through the end of fiscal year 1997, that would result in budget reductions.

Because 99 percent of NSA's civilian personnel reductions will come from the Washington area, NSA concluded that it could reduce a significant amount of space it needs to operate in the Washington-Baltimore area. These personnel and space reductions afforded NSA the opportunity to reduce leasing costs and address other operating objectives. First, NSA could consolidate key component work functions that are scattered throughout Fort Meade and at its Airport Square complex, which includes 13 leased buildings approximately 10 miles from NSA headquarters. Second, NSA could provide "swing" space to house personnel during major renovations--currently under contract--of 2 of the 13 Airport Square buildings. Finally, reductions in the amount of leased space would generate reductions in overall operations and maintenance costs.

NSA'S THREE ALTERNATIVES

NSA identified three alternative strategies (see enclosure) to manage the space reduction and at the same time achieve its other operating objectives. Under all of the alternatives, three of the buildings¹ at the Airport Square complex would remain under NSA lease with the existing landlord. Other than that common denominator, the alternatives involve various combinations of leasing and vacating space at the Airport Square complex and/or leasing a new building adjacent to Fort Meade from a new landlord. The three alternatives are as follows:

- Lease permanent swing space adjacent to Fort Meade to augment the three buildings at Airport Square. Under this alternative, NSA would (1) relocate and consolidate key component personnel, (2) concurrently renovate two of the three remaining buildings at Airport Square, and (3) eventually vacate 10 of the 13 buildings at Airport Square, realizing a reduction of about 242,000 square feet of leased space.
- Remain within the Airport Square complex without acquiring swing space. As positions and personnel are eliminated, consolidation will take place through a series of interim moves until only seven buildings at the complex are under lease. Without swing space, lease

¹The three buildings comprise about 61 percent of the current operating square footage at the Airport Square complex.

extensions would be longer. Under this alternative, NSA would (1) vacate 6 of the 13 Airport Square buildings and (2) realize a reduction of about 219,000 square feet of leased space.

- Lease swing space in four recently vacated buildings, also owned by the landlord at the Airport Square complex, to augment the three buildings NSA has already leased at the complex. Under this alternative, NSA would (1) consolidate key component personnel positions, (2) renovate the two buildings identified in the first alternative, and (3) vacate 10 buildings at the Airport Square complex (as in the first alternative), realizing a reduction of about 215,000 square feet of leased space.

NSA'S COST ANALYSIS

NSA developed a comparative economic analysis of the three alternatives. It based the analysis on the following relevant cost elements: rent; taxes and insurance; utilities; services; configuring buildings to meet tenant needs; design costs for reconfiguration; installation of communications equipment in renovated facilities; guards; moving and relocation; de-installation of communication equipment; interim lease extensions; communications maintenance; internal travel; and round-trip bus service from Fort Meade to the Airport Square complex and locally between the Airport Square buildings.

On the basis of its analysis of the three alternatives, NSA determined that the cost of the alternatives, over the next 10 years, would be about \$185.9 million, \$224.3 million, and \$220 million, respectively. Thus, the first alternative would be the lowest-cost option. The economic analysis also identified potential cost savings and intangible benefits that would occur with the first alternative:

- Under the proposed lease, NSA could contract directly for alterations and maintenance to the buildings. The current lessor requires that the landlord perform all alterations and maintenance to the buildings, precluding NSA from obtaining the most competitive price for these services.
- Repair and maintenance costs of maintaining older leased space would be avoided by vacating that space and leasing the new building.
- Greater efficiency within functional groups would occur through maximum consolidation in fewer buildings and

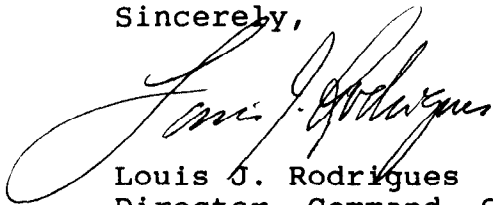
relocation of key component personnel at the Fort Meade complex.

-- The number of interim moves by staff during the space reduction would be minimized.

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We have discussed these matters with NSA officials, and they agree with the information included in this letter. If you have any questions, please call me at (202) 275-4841.

Sincerely,



Louis J. Rodrigues
Director, Command, Control, Communications,
and Intelligence Issues

Enclosure

DRAWDOWN ALTERNATIVES

<u>Description</u>	<u>First alternative</u>	<u>Second alternative</u>	<u>Third alternative</u>
<u>Start</u>			
Buildings	13	13	13
Square Feet	1,245,000	1,245,000	1,245,000
<u>Additions</u>			
Buildings	1	0	4
Square Feet	240,000	0	267,000
<u>Subtractions</u>			
Buildings	10	6	10
Square Feet	482,000	219,000	482,000
<u>Net</u>			
Buildings	4	7	7
Square Feet	1,003,000	1,026,000	1,030,000
<u>Ten-year costs (in millions)</u>	\$185.9	\$224.3	\$220.0

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