

**DOCUMENT RESUME**

01136 - [A1052003]

**The Status and Problems in Constructing the National Visitor Center. PSAD-77-93; B-158792. April 4, 1977. 29 pp. + appendices (26 pp.).**

**Report to the Congress; by Elmer B. Staats, Comptroller General.**

**Issue Area: Federal Procurement of Goods and Services: Notifying the Congress of Status of Important Procurement Programs (1905); Land Use Planning and Control (2300); Transportation Systems and Policies (2400).**

**Contact: Procurement and Systems Acquisition Div.**

**Budget Function: Natural Resources, Environment, and Energy: Recreational Resources (303); Commerce and Transportation: Ground Transportation (404).**

**Organization Concerned: Department of the Interior; Department of Transportation; National Capital Planning Commission; George Hyman Construction Co., GA; Washington Terminal Co.**

**Congressional Relevance: House Committee on Interior and Insular Affairs; Senate Committee on Environment and Public Works; Congress.**

**Authority: National Visitor Center Facilities Act of 1968, as amended (P.L. 90-264; P.L. 93-62). P.L. 90-209. P.L. 93-478.**

The problems encountered during the development and construction of the National Visitor Center in Union Station in Washington, D.C. were reviewed. Findings/Conclusions: The project evolved from a plan for the Department of the Interior (DINT) to lease the privately developed Center from the owners of Union Station. The complex financial and management arrangement did not adequately protect the Government. Congress was not informed of costly changes in plans and increased costs in other areas until too late to consider alternatives. The Station owners contracted with a construction company that became its own subcontractor--a questionable procedure. Costs to date are some \$45 million, of which some \$28 million is the Government's share for a partially completed facility. The Government had not planned to pay for construction, only for rental. To complete it, estimated costs range from \$115 to \$180 million. The Department of Transportation is interested in assuming Interior's lease on the structure. Recommendations: The agency designated for managing the Center should (1) determine whether the lease could be renegotiated with a view towards using valuable air rights; and (2) develop a utilization plan to use the upper and lower levels of the station. It should be decided whether to finish only the incompleated structure or build the entire project to conform with the approved design. Before authorizing any additional construction, the final project design and costs, as well as the agency responsible for completing the project should be determined. If construction is to continue, responsibility should go to an agency familiar with such projects (such as General Services Administration or Corps

of Engineers). This agency should submit periodic status reports to Congress and use fixed price contracts to avoid cost overruns. (DJM)

# *REPORT TO THE CONGRESS*



*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

---

## **The Status And Problems In Constructing The National Visitor Center**

**Departments of Transportation and  
the Interior  
National Capital Planning Commission**

The National Visitor Center project in the Nation's Capital was authorized by the Congress in 1968 to provide visitors with tourist services and parking. After nearly 9 years, the project is incomplete and has evolved from a plan for the Government to lease the facility into a complex financial and management arrangement.

The Government has paid about \$28 million in construction funds for a partially completed facility. The Government had not planned to pay for construction, only for rental. Estimated costs to complete the project now range from \$115 million to \$180 million.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-158792

To the President of the Senate and the  
Speaker of the House of Representatives

This report describes the problems encountered during development and construction of the National Visitor Center. We initiated this review as part of our overall review of major acquisitions from appropriated funds. It was also requested by the Chairman, of the former Subcommittee on Buildings and Grounds, Senate Committee on Public Works, now the Subcommittee on Regional and Community Development, Senate Committee on Environment and Public Works.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; the Secretaries of Transportation and the Interior; and to the Executive Director, National Capital Planning Commission.

A handwritten signature in black ink, reading "Thomas A. Stead".

Comptroller General  
of the United States

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

THE STATUS AND PROBLEMS  
IN CONSTRUCTING THE  
NATIONAL VISITOR CENTER  
Departments of Transportation  
and the Interior  
National Capital Planning  
Commission

D I G E S T

This report shows the importance of properly managing a Federal Government project when there are several participants--in this case, the Department of the Interior, the Congress, and private railroad companies.

In the mid-1960's the Union Station in Washington, D.C., was selected by the National Visitor Center Study Commission as the site for a National Visitor Center; this project was long perceived as a necessity for the capital of the United States. At that time, the 70-year-old station was a historic monument in danger of being demolished.

As authorized by the Congress, the Center was to provide facilities for visitors by converting and renovating the station and by constructing a parking garage nearby to accommodate about 4,000 automobiles.

The National Visitor Center Facilities Act of 1968 stipulated that the Secretary of the Interior enter into agreements and leases with the owners of the station, the Washington Terminal Company, and others to meet these objectives.

The authorizing legislation, which was based on recommendations of the study commission, anticipated that the owners would invest \$16 million for renovation and construction of the Center and parking facility. The property would then be leased to the Government for 25 years at a total cost of \$87.5 million.

Many of the project's current problems stem from the Government's urgency to finally get underway what was widely acknowledged as a longstanding public need. Because of this urgency, adequate and detailed cost estimates were not prepared. The project has evolved from a simple straightforward leasing arrangement by the Government to a complex financial and management arrangement.

The circumstances were these:

- The Department of the Interior entered into a leasing agreement with the owners of Union Station, but the agreement did not adequately protect the Government. (See pp. 11 to 12.)
- The Congress was not informed of costly changes in the project's scope and of increasing costs in other project areas until it was too late to express its desires or consider alternatives. (See pp. 17 to 18.)
- The owners of the station entered into a contract with the George Hyman Construction Company as contractor-agent, allowing the firm to become its own subcontractor--a questionable procedure. (See p. 20.)

On July 4, 1976, more than 3 years after the passage of the legislation, the renovated but unfinished Union Station portion of the Visitor Center project was officially opened to the public. Because of the unavailability of funding, Interior terminated construction of the project in November 1976.

The costs for work from the beginning of the project through contract termination is about \$44.8 million, of which \$28.4 million is the Federal Government's contribution.

As of January, 1977, one wall of the Center was still incomplete and the remaining portions of the 1,200-car parking facility were not fully operational. Estimated costs for completing and acquiring the project now range from \$115 million to about \$180 million.

The Department of Transportation is interested in assuming Interior's lease on the Center and

developing it primarily for transportation purposes while retaining a small visitor orientation center. A bill has been introduced in the Senate to transfer responsibility for the project to Transportation.

Today there is still no agreement on how much of the approved design of the visitor center complex will be constructed. In the meantime, the Government is paying over \$3 million a year to rent a partially completed facility that has serious structural defects due to the age of Union Station. (See pp. 4, 5, 25, and 26.)

Several important lessons can be learned from this situation.

- If the Government enters into a construction-lease arrangement, the scope of the project and the occupancy date should be clearly defined so that the Government is not forced into such an untenable position.
- Arrangements for construction and/or leasing should be managed by a Government agency very familiar with similar construction projects (such as the General Services Administration or the Army Corps of Engineers).
- The Congress should insist on receiving periodic reports on the status of all major projects. The reports should be similar to those prepared by the Department of Defense on major weapon systems. (See also GAO's report PSAD-77-5, Dec. 29, 1976.)

The termination of work on the project has presented an opportunity for the Congress to resolve whether the project should be oriented toward visitors or rail passengers; and whether the Center will be managed, over the term of the lease, by Interior or Transportation.

GAO recommends that the Congress require the agency designated for managing the Center to:

--Determine whether any other public use is intended for the unused leased air rights so that it may seek to renegotiate the lease for the value of the air rights being used for the project.

--Develop a utilization plan for the upper and lower levels of the station.

Another issue concerns whether it should finish only the incomplete structure or build the entire project to conform with the approved design. Before authorizing any additional construction, there should be a clear agreement among the Congress and the Departments of Transportation and the Interior on the final project design and cost limits as well as which agency should be assigned responsibility for completing the project.

If a decision is made to continue construction, GAO recommends that the Congress assign responsibility for construction to a Government agency familiar with construction of similar projects, such as the General Services Administration or the Army Corps of Engineers.

GAO also recommends that the Congress require the agency responsible for construction to:

--Submit to the Congress periodic status reports on this project similar to the Selected Acquisition Reports submitted by the Department of Defense on major weapon systems.

--Use fixed price contracts to avoid further cost overruns and to establish better control of construction.

Interior and Transportation both said they have the expertise to manage future construction on the Center and should not have to rely on another Government agency for this. GAO believes a Government agency familiar with construction of this type should do better than either Interior or Transportation.



# C o n t e n t s

		<u>Page</u>
DIGEST'		i
CHAPTER		
1	INTRODUCTION	1
	Description of the project	1
	Scope	2
2	STATUS, SCHEDULE, AND COST	3
	Schedule	3
	Cost	4
	Structural problems may affect the soundness of the building	4
	Funding	5
	Conclusion	7
	Architect's comments	7
3	PROJECT PLANNING	9
	The start of the project: The National Visitor Center Study Commission	9
	Lease negotiation and agreement	10
	Conclusions	12
	Agency comments	12
4	THE INTERMODAL TRANSPORTATION CONCEPT: ITS IMPACT ON THE VISITOR CENTER PROJECT	13
	The intermodal transportation concept: its beginnings	13
	Initial design	14
	Limiting scope to available funds	17
	Congressional funding	17
	Conclusions	18
5	MANAGEMENT	19
	Owners' management	19
	Interior's management	21
	First letter agreement	21
	Changes due to Amtrak suit	22
	Second letter agreement	23
	Problems resuming work	23
	Project termination	24
	Reporting of project problems	27
	Conclusions	27
	Agency comments	28
	Recommendations	28

**APPENDIX**

		<u>Page</u>
I	Letter to the Comptroller General from the Chairman, Subcommittee on Buildings and Grounds, Senate Committee on Public Works	30
II	Schematic design completed in February 1971	31
III	Letter dated February 18, 1977, from Acting Assistant Secretary - Administration and Management, Department of the Interior	32
IV	Letter dated February 18, 1977, from Executive Director, National Capital Planning Commission	35
V	Letter dated February 23, 1977, from Seymour Auerbach	37
VI	Letter dated February 16, 1977, from the Vice President, The George Hyman Construction Company	45
VII	Letter dated February 18, 1977, from Executive Vice President, Terminal Realty Baltimore Company	48
VIII	Letter dated March 9, 1977, from Assistant Secretary for Administration, Department of Transportation	50
IX	Principal officials responsible for administering activities discussed in this report	55

**ABBREVIATIONS**

GAO	General Accounting Office
NCPC	National Capital Planning Commission

CHAPTER 1  
INTRODUCTION

The need for an orientation center for visitors to the Nation's Capital has been longstanding, with strong interest from the Congress, the executive branch, and the general public. Although many proposals for a visitor center had been made over the years, none had ever progressed beyond the discussion stages. In 1966, however, the Congress decided that the need for such a center could no longer be postponed and created a study commission to investigate possible sites for a facility.

This report reviews the problems encountered in the construction and management of the Visitor Center. The Department of the Interior, through the National Park Service, is the principal U.S. Government representative. Seymour Auerbach is the architect; George Hyman Construction Company is the contractor-agent and principal subcontractor. The owners of Union Station are the Terminal Realty Penn Company and Terminal Realty Baltimore Company. The new passenger station is owned and operated by the Washington Terminal Company.

DESCRIPTION OF THE PROJECT

The National Visitor Center Facilities Act of 1968 (Public Law 90-264) provided for the conversion of the station into a visitor center. The act stipulated that:

- The Secretary of the Interior, in consultation with the Administrator of General Services, negotiate and enter into agreements and leases with the owner(s) of Union Station for its use as a National Visitor Center and for a related parking facility;
- The owners should make such alteration to the Union Station as the Secretary of the Interior determines necessary to provide adequate facilities for visitors at a cost not to exceed \$5 million;
- The owners should construct a parking facility, including necessary approaches, to accommodate as nearly as possible 4,000 cars, at a cost not to exceed \$11 million plus any portion of the above \$5 million not used;

- Lease of Union Station by the Government shall begin when such facilities are available for public use, for a period not to exceed 25 years;
- Aggregate annual lease cost to the United States shall not exceed \$3.5 million;
- The United States shall have the option to purchase all of the leased property any time after the first year of the lease;
- The owners shall construct a new railroad passenger station in the area beneath or adjacent to the parking facility.

### SCOPE

We reviewed files made available by the Department of the Interior; the Department of Transportation; the National Capital Planning Commission; Monk Dunstone Associates, the cost consultant to the National Park Service; and Seymour Auerbach, the architect. We also obtained data from the other private parties involved--the Washington Terminal Company; George Hyman Construction Company; the Potomac Group, architectural consultant to the National Park Service; and Amtrak. In addition, we reviewed congressional testimony, transcripts of the National Visitor Study Commission, and National Visitor Facilities Advisory Commission meetings.

## CHAPTER 2

### STATUS, SCHEDULE, AND COST

More than 8 years after the passage of the National Visitor Center Facilities Act, the renovated Union Station portion of the Visitor Center project was officially opened to the public on July 4, 1976, to commemorate the Nation's bicentennial observance. By January 19, 1977, one wall of the Center was still incomplete, and the remaining portions of the parking facility were not fully operational. Because of the unavailability of funding, construction of the car parking levels was terminated by Interior on September 3, 1976, and construction of the remainder of the project was terminated in November 1976.

The renovated portion of the facility is currently operating and could be the focal point for visitors to the Nation's Capital. It has, however, fallen short of the architectural concepts originally presented to the Congress. Conceived to contain four 500-seat theaters, a reception theater, visual exhibits, and a cafeteria/restaurant, the design of the Center changed, first, to more quickly process visitors and, later, because of funding limitations. The Center now contains two 175-seat minitheaters, an exhibit area, a hall of states, a bookstore, a slide presentation, and a fast-food cafeteria.

The bus parking level is completed, but the four levels that are to accommodate about 1,300 cars are in various stages of construction and lack connecting ramps. The floors of levels one and two and half of level three are in place, but only the supports are completed for level four. Under the terms of the termination, certain parts of the project were to be completed and the contractor was to remove all equipment and shoring. Once this is done the bus parking level will be usable by way of two completed ramps. At January 19, 1977, we observed cleanup work only on the parking facility.

The replacement railroad passenger terminal located under the bus parking area is functioning. However, construction has not started on an extension to the replacement terminal as agreed to by the owners, Amtrak, and Interior, due to the termination of work on the southeast ramp which will serve as the roof for the terminal extension.

### SCHEDULE

There was no specific completion date for the project until after the construction contract was awarded. This

contract depended on the availability of financing at a rate not to exceed 7 percent. The efforts to obtain suitable financing were complicated by the bankruptcy of the Penn Central Transportation Company, a parent company of one of the owners. Financing was not obtained until April 1973. As construction began, the bicentennial year became an informal target completion date.

Delays occurred because work was suspended to evaluate high construction cost estimates; delays were also caused by an Amtrak suit over the adequacy of the replacement railroad passenger terminal and various labor strikes. Cost overruns and inadequate funding have caused a termination of construction work.

Interior and Transportation, whose interest in the project is derived from the Amtrak Improvement Act of 1974, are studying what should or could be done to complete the project. A current Transportation proposal calls for (1) Transportation taking over the entire area now being leased by Interior, (2) reducing the visitor orientation area and subleasing it to Interior, and (3) utilizing the remaining portions of the station as rail and bus facilities.

#### COST

Although authorizing legislation estimated that the Center and its parking facility would be acquired for no more than lease costs of \$87.5 million, the potential costs, including lease costs, could exceed \$180 million. Additional costs could be incurred depending on how much of the approved design is constructed. The owners of the station property have limited their financial investment in the project to approximately \$16.4 million. Interior has assumed the major financial responsibility and has already invested \$28.4 million in renovation and construction costs.

Estimating the cost of completing the unfinished portions of the project is considered imprecise because a full construction review of the station building has not been completed as of December 31, 1976. The project manager estimated that construction costs to complete existing facilities would range from \$38.3 to \$68.3 million.

#### Structural problems may affect the soundness of the building

In December 1976, a team of architects, engineers, inspectors, and managers of the National Park Service

identified major structural, mechanical, and electrical problems in the structure of the 70-year-old building, which will require corrective action. As construction progressed, they determined that the steel supporting the north wall and the train tunnel has deteriorated so that the structural soundness of the building may be affected. Steel under the south wall, in supports, and in various other areas will also require repair and some replacement. The north wall as well as a wall holding a pier which supports the southeast ramp has cracked and settled. The project manager reported that failure to correct these problems before continuing with construction could result in a major structural collapse. Other structural problems concerning the electrical, mechanical, and water systems of the center will need to be corrected.

The electrical system is basically the same as before the project began. At one time it was estimated that installing a new system would cost over \$2 million; due to lack of funds, major changes were not made. Now it is recommended that the antiquated system be repaired or replaced, preferably replaced, though the cost has not been determined.

Steam for the existing heating system is supplied by the railroads. This system within the station is old and requires continuous maintenance. Moreover, the railroads have said that they may not require steam for their operations after 1980.

Pipes for the water system are corroded so that the water flow is restricted. The supply tank is also corroded.

A summary of estimated Government costs for the Center and a 1,274-car parking complex is on the following page.

Additional costs will be incurred if the facilities are expanded to include a 4,000-car parking facility and an intermodal terminal. A study prepared for the Department of Transportation in July 1976 estimated that it would cost \$77.7 million to build another 1,200-car parking facility east of the present unfinished garage, an intermodal terminal on air rights near the H Street overpass, and a bus parking area in air rights above the through tracks.

### Funding

The project cost has reached the limit of currently available funds. A termination notice was initiated in September 1976 because of lack of funds, inability to secure

	<u>Amount</u>	<u>Total</u>	<u>Cumulative total</u>
	----- (millions) -----		
Obligated costs including termination as of December 21, 1975 (source: National Visitor Center Financial Consultant):			
Renovated Union Station	a/\$9.1		
Bus parking level and southwest ramp	17.9		
Car parking (1st three levels)	9.9		
Car parking (4th level)	.2		
Southeast ramp	3.2		
Northwest ramp	1.4		
Gallery	.5		
Soft cost (overhead, etc.)	<u>2.6</u>		
Less: contribution by owners		\$44.8 <u>-16.4</u> <u>\$28.4</u>	<u>\$28.4</u>
Estimated costs to complete existing facilities (source: project manager):			
Car parking (4 levels, 1,274 cars)	10.0		
Southeast ramp repair structural supports new construction	6.6 8.4		
Repair/replace steel in north wall and tunnel	3.0		
Remodel Visitor Center to correct deficiencies and for full occupancy	<u>10 to 40</u>		
		<u>38.0 to 68.0</u>	<u>66.4 to 96.4</u>
Estimated acquisition (lease or purchase costs) (Source: owners' legal counsel):			
Cost to exercise earliest purchase option: 2 years lease cost	\$ 6.2		
Unamortized balance of owners' mortgages	<u>41.9</u>		
	<u>\$48.1</u>		
Lease costs at \$3,338,127 a year for 25 years	<u>83.5</u>		
Estimated acquisition cost		<u>48.1 to 83.5</u>	<u>114.5 to 179.9</u>
Total estimated Federal Government cost		<u>b/\$114.5 to 179.9</u>	

a/\$1.06 million of this figure is for such things as displays but still is a cost to the Government.

b/Income from parking and concession rental fees will partially offset this amount.



an acceptable fixed price proposal from the contractor to complete the project, and other related factors.

The following table shows the source and availability of funds as stated in legislation and contracts.

<u>Source of funds</u>	<u>Year</u>	<u>Amount available</u>
Owners	1973	\$16,000,000
Interior (1970 and 1971 appropriations)	1970	800,000
Interior (Public Law 93-62)	1973	8,680,000
Interior (Public Law 93-478)	1974	12,900,000
Owners (letter agreement 10/31/74)	1974	425,000
Transportation grant (Urban Mass Transportation Administration capital assistance)	1975	8,155,700
Cooperative agreement (concessionaires)	1976	223,000
D.C. government (Federal Highway Administration grant) (northwest ramp)	1975	<u>1,411,130</u>
<b>Total</b>		<b><u>\$48,594,830</u></b>

### CONCLUSION

Not obtaining financing at acceptable interest rates delayed the start of construction of the Center for 4-1/2 years. During that time the cost of construction increased. Estimated costs to complete and acquire the existing facility range between \$114.5 and \$179.9 million. Additional costs of about \$77 million are estimated to provide parking for another 1,200-car spaces and added bus parking.

### Architect's comments

The architect estimates that the parking structure is more than 60 percent completed and, therefore, questions the estimate for completing the four levels of car parking; our estimates indicate that approximately 50 percent of the funds have been expended. The \$10 million estimate to complete the parking garage was obtained from the project manager; because of underestimating on this project and

anticipated additional clean-up and start-up costs, it seems necessary to use the manager's higher estimate.

The architect also said that our reference to serious structural defects is an overstatement. However, the project manager reported, based on the December 1976 reports of National Park Service engineers, that an enormous amount of structural repairs is required before the Center will be safe and operable. The architect said that major changes to the electrical, water, and steam systems were never contemplated. This may be true but, according to the project manager, these repairs must be made.

### CHAPTER 3

#### PROJECT PLANNING

A study of the project's history reveals that there was an urgency within the Government to get the project started even though all the necessary planning, cost determinations, and other aspects had not been completed. The problems the Center currently experiences can be largely attributed to this lack of planning.

#### THE START OF THE PROJECT: THE NATIONAL VISITOR CENTER STUDY COMMISSION

On November 7, 1966, the Congress, by Public Law 89-790, created the National Visitor Center Study Commission to make a complete investigation of sites and plans for a visitor center in the Nation's Capital. Specifically, the study commission 1/ was to investigate and recommend a site for the Center; provide preliminary plans, specifications, and architectural drawings; and estimate the cost. In May 1967 a subcommittee of the commission, having negotiated a tentative lease for the station involving a \$16 million contribution by the owners, recommended leasing of the station because:

- It would be convenient for visitors arriving by rail and rapid transit and would be accessible for those traveling by automobile and bus.
- It was a historic monument in danger of demolition;
- It was in close proximity to the Capitol;

---

1/The study commission, which was chaired by the Secretary of the Interior, was composed of the Administrator of General Services, the Secretary of the Smithsonian Institution, the Chairman of the Council on the Arts and Humanities, the Chairman of the National Capital Planning Commission, the Chairman of the Commission of Fine Arts, six members of the Senate, six members of the House of Representatives, and three citizen members.

--It required no outlay of public funds to begin a visitor program.

The leasing of the station was attractive to the study commission and others because it did not require any direct or immediate outlay of cash on the part of the Government other than lease payments which would begin when the facilities were available for public use. At the time, mid-1967, the conflict in Vietnam was escalating, the impacts of inflation were being felt and, because of budgetary constraints, it was unlikely that any large authorization for construction would be approved.

The study commission, in its September 15, 1967, report recommended the station as a visitor center and suggested that the Government lease the building and parking facility (to be constructed on air rights at the rear of the station) from the Washington Terminal Company. The Terminal Company would invest \$5 million for renovating the station and \$11 million for constructing the parking garage and necessary access ramps. The study also recommended a parking garage for 3,676 cars and 116 buses but noted that \$11 million would only provide space for 3,036 cars and 116 buses. The Government would be responsible for exhibit and program expenses, the annual lease costs, and the cost of operating and maintaining the Center and its parking facility. The \$16 million specified for renovating the station and constructing a four-level parking facility was stated in 1967 dollars, with no allowance for inflation, and it was intended to be a maximum investment by the owners.

The act approved by the Congress on March 12, 1968, included the above recommendations but did not provide for buses. In addition, the act created a National Visitor Facilities Advisory Commission to (1) conduct a continuing review of the Center, (2) conduct continuing investigations and studies of sites and plans for providing additional facilities and services for visitors, and (3) advise the Secretary of the Interior and the Administrator of General Services about the planning, construction, acquisition, and operation of all visitor facilities. The act also directed the Secretary to submit annually a report to the Congress on the Center.

#### LEASE NEGOTIATION AND AGREEMENT

On July 19, 1968, the owners proposed a lease agreement that was satisfactory to Interior. Essentially,

it said that the owners would transfer title of the station property to the National Park Foundation, a nonprofit, charitable corporation newly created by the Congress (Public Law 90-209), to acquire property that might, ultimately, become part of the National Park system. Specifically the agreement said the Foundation would:

- Obtain title to the station property, and the owners would make available to the Foundation a \$16 million construction loan.
- Be responsible for altering and constructing the facilities required by the Government and for completing the necessary work within 3 years.
- Acquire the property by assuming the \$16 million mortgage construction loan and a second mortgage, about \$27 million, on the fair market value of the property.
- Lease the property to Interior at an annual rental of \$3.5 million.

Interior's attorneys concluded that all aspects of the proposal were legally permissible under existing legislation. The Office of the Solicitor stated that the Foundation could legally acquire the station, contract for and finance its conversion into a visitor center, and then lease the facilities to the United States. The Foundation approved the proposal in principle.

In November 1968 the House Subcommittee on Public Buildings and Grounds rejected the plan. The Committee, while acknowledging that it was a good plan and was in the best interests of the Government, stated that it would be interpreted as an outright purchase of the station, violating the spirit of the project's legislative history which was directed at leasing rather than buying.

Subsequently the Secretary of the Interior directly executed a lease agreement with the owners on December 18, 1968, in which adequate financing was made a prerequisite for proceeding with the project. This lease agreement was superseded as of March 1, 1972, primarily to raise the interest ceiling constraint from 7 to 7.5 percent. Although the agreement was consistent with the act, it lacked milestones or performance parameters to measure and monitor

contractor performance. These are considered to be standard provisions when the Government contracts for goods or services.

The omission of these provisions prevented the Government from insuring that legislation was carried out in an efficient and effective manner. Interior failed to protect the Government's interests as a prospective lessee as provided by section 102(b) of the act, which gave the Secretary of the Interior authority to include such terms and conditions in the lease agreement as he deems necessary.

### CONCLUSIONS

Many of the project's current problems stem from its urgency to get underway what was widely acknowledged as a longstanding public need. Because of this urgency, adequate and detailed cost estimates were not prepared and a \$16 million construction cost was established by the Congress using the inadequate lease arrangement suggested by the study commission.

The lease agreement that was negotiated between Interior and the owners was consistent with the act, but Interior did not take advantage of its authority to include such terms and conditions in the lease agreement as may be deemed necessary. The arrangement lacked milestones or performance parameters to measure and monitor contractor performance, and, to this extent, Interior failed to protect the Government's interest.

### AGENCY COMMENTS

The Terminal Realty Baltimore Company believes our report suggests that the owners had no incentive to perform the work in an "efficient and effective" manner and pointed out that the owners' were at risk for up to \$16 million of their own money if the facilities were not completed; also, rental payments would not start until the facilities were nearly completed.

## CHAPTER 4

### THE INTERMODAL TRANSPORTATION

#### CONCEPT: ITS IMPACT ON THE

#### VISITOR CENTER PROJECT

The intermodal concept, which was not part of the project originally approved by the Congress, involved constructing within the parking facility a common terminal for rail and bus transportation (inter- and intra-city).

Although the idea of a transportation center had great appeal for most of the prospective participants, this was short-lived when they discussed the project's investment costs. Nevertheless the intermodal concept became part of the design consideration of the project plan and which created an array of design and funding problems.

### THE INTERMODAL TRANSPORTATION

#### CONCEPT: ITS BEGINNINGS

The intermodal transportation concept is derived from the proposed 1967 Comprehensive Plan for the National Capital. About the time the National Visitor Center project was being considered, the National Capital Planning Commission (NCPC) <sup>1/</sup> began a transportation study of the station vicinity. The focus of the study, which was started in April 1968, was on examining the feasibility of a central facility serving as a terminal for intercity and intracity bus transportation and intercity rail transportation. In April 1969 NCPC proposed such a terminal a short distance north of the station. Neither the railroads nor the bus companies were interested in a terminal at the site proposed by NCPC but supported an intermodal terminal at the Center site.

The National Visitor Center project already provided that the owners of the station build a new railroad passenger terminal within that complex at their own expense.

---

<sup>1/</sup> National Capital Planning Commission is responsible for urban planning for the District of Columbia.

NCPC held a series of meetings beginning in 1969 designed, according to NCPC officials, to promote interest in the intermodal concept. The participants in those meetings included representatives from the National Park Service, the railroad companies, two major bus companies, and the project architect. As a result, the owners of the station, acting at the request of the National Park Service, instructed the architect to begin designing the Center's parking facility using the intermodal transportation concept.

### INITIAL DESIGN

The owners, on the recommendation of Interior, engaged the firm of Walton, Maddon, Cooper, and Auerbach as the project architect on June 30, 1969. The contract stipulated that while design development drawings were to be prepared for the entire intermodal project, working drawings and specifications, like those needed for actual construction, would be prepared for only that portion of the project that could be built within the limits set forth in the authorizing legislation.

In a November 14, 1969, presentation to the National Visitor Facilities Advisory Commission, the architect stated that only about half of the parking facility could be built within the \$11 million limitation established by the Congress. Nevertheless, the intermodal concept was presented to the National Capital Planning Commission, and the concept was endorsed on March 5, 1970.

By November 1970, the architect had fully completed schematic designs and estimated the probable costs. The \$35.6 million estimate for the project included only direct construction costs. The parking facility was estimated to cost \$25.3 million and the intermodal terminal, \$10.3 million. Since the \$11.0 million budgeted construction cost of the parking facility included \$2.5 million for indirect costs and contingencies, only \$8.5 million was available for direct construction. This was only slightly more than one-third of the \$25.3 million needed for the parking facility.

In early 1971, this first schematic design for the parking structure was dropped. The reasons, other than cost, given for this action were:

- The right-of-way obtained by the Washington Metropolitan Area Transit Authority for building a subway precluded constructing certain foundation columns contained in the design.



- The Commission of Fine Arts <sup>1/</sup> objected to combining concrete columns and a steel parking cage.
- The Commission of Fine Arts felt the entrance and exit facilities were inadequate to handle the traffic.
- The National Park Service objected to the traffic circulation because, as designed, the transportation traffic would be intermingled with the visitor traffic.

Consequently, the architect was instructed to completely redesign the parking facility.

By the end of February 1971, the architect had completed new schematic drawings based on a complete redesign of the intermodal terminal (app. II). At the time, the cost of constructing the redesigned facility had not been estimated.

In September 1971, the design development drawings and a statement of probable cost for the redesigned parking facility and intermodal terminal were completed. The National Park Service estimated, in October 1971, that the total cost of the redesigned project--the Center, the 4,000-car parking facility, and the intermodal terminal--would exceed \$54 million.

	<u>Construction cost</u>	<u>Indirect costs</u>	<u>Total cost</u>
Conversion of Union Station	\$10,470,300	\$1,647,030	\$12,117,330
Parking garage	24,923,000	3,592,300	28,515,300
Intermodal terminal	<u>12,249,000</u>	<u>1,224,900</u>	<u>13,473,900</u>
Total	<u>\$47,642,300</u>	<u>\$6,464,230</u>	<u>\$54,106,530</u>

---

<sup>1/</sup> The Commission of Fine Arts advises on plans for public buildings in the District of Columbia.

The design was approved by the National Park Service, the Commission of Fine Arts, and NCPC between September and October 1971.

The redesigned facility had important cost implications. Not only did Interior have to find a way to fund the parking facility, it had to find a way to fund the intermodal terminal.

Interior, although confronted with a project that would cost about 3.5 times more than originally believed, at first thought that the funding arrangements could be accomplished. By September 1972 the sources of the needed funds had tentatively been identified and a funding plan established. Under this plan the funding would have been derived as follows:

	<u>Amount</u> (millions)
Estimated cost of the project	<u>\$54.1</u>
Funding sources for Visitor Center and parking facility:	
Investment of owners	16.0
Department of Interior (included in 1974 budget request)	<u>24.6</u>
Total	<u>40.6</u>
Funding sources for the Intermodal Transportation Center:	
Amtrak and Washington Terminal Company (the primary user and the operator of the rail passenger station)	6.3
Major bus companies, District of Columbia government, and Metro System (for intracity bus and rail transportation and intercity bus transportation)	<u>7.2</u>
Total	<u>13.5</u>
Total of both facilities	<u><u>\$54.1</u></u>

The plan was based on the assumption that the prospective beneficiaries--the major bus companies and Amtrak as the primary users of the rail passenger terminal--would be willing to invest their fair share. Although these groups did have interests in the terminal concept, they had not made any binding or legal agreement committing them to provide funds. For a variety of reasons, the funding that Interior expected from the other parties did not materialize.

#### LIMITING SCOPE TO AVAILABLE FUNDS

While Interior was attempting to fund the \$54 million facility, the architect was trying to determine what portion of the facility could be built within the \$16 million statutory limitation. In January 1972 the architect developed a plan providing for a 2,271-car parking facility and a minimally operable visitor center. This plan, in essence, cut the designed parking facility in half by eliminating the east side of both the parking facility and the intermodal terminal. The west side was chosen because (1) it was less expensive to build than the east side which was to be built over the lower tracks and had an additional level for bus docking purposes and (2) the railroad terminal as designed was on the west side. However, available funds were not even sufficient for this size facility.

A second change further reduced the capacity of the parking facility to 2,015 cars. The estimated cost of this design was \$8,998,000, an amount within the architect's \$9 million construction budget. Accordingly, the architect prepared working drawings and specifications to secure the \$16 million construction financing. The George Hyman Construction Company, however, estimated, on May 4, 1973, that it would cost \$17.9 million to construct just the 2,015-car parking garage.

#### CONGRESSIONAL FUNDING

In February 1973, Interior requested, for the first time, Federal funds of \$8.68 million to be used to construct the southeast ramp and to complete the work in the station building. The request, when approved in July 1973 (Public Law 93-62), resulted in a total of about \$24.68 million--\$16 million of owner funds and \$8.68 million of Federal funds. However, the conversion of the Center to the intermodal transportation concept was not discussed.

It was not until November 1973 that the Subcommittee on Buildings and Grounds, Senate Committee on Public Works held hearings to consider Interior's proposal authorizing the inclusion of an intercity bus terminal within the Center facility. Interior officials testified that cost escalations due to the delay of the project severely limited the amount of construction that could be undertaken. They also said that while an intermodal transportation terminal had not been included in the original legislation, it had been pursued as a worthwhile addition to the project. Interior officials admitted, however, that they had been unable to put together a firm design and financial package for the transportation terminal. They proposed that, rather than further delaying construction of the Center, they proceed with altering the station and limit parking to between 250 to 800 cars and a staging area for buses.

The record shows congressional concern at the prospect of having a Center that did not even provide minimal parking for visitors. Accordingly, on November 15, 1973, the House Subcommittee on Buildings and Grounds and Interior officials agreed that \$22.5 million of the available funds should be programed to construct a 1,200-car parking garage, and that additional funds should be authorized to complete the conversion of the station. In accordance with this agreement, legislation was introduced in December 1973 requesting an additional authorization of \$12.9 million; this was approved in October 1974 (Public Law 93-478).

### CONCLUSIONS

The attempt to include the intermodal transportation concept in the already authorized Visitor Center at the station added to the project cost because:

- There were changes to the project to provide access and circulation for intercity buses.
- It was incorporated into the Center's design even though it was recognized that costs would exceed authorized funds.

## CHAPTER 5

### MANAGEMENT

The National Visitor Center project has evolved from a simple, straightforward arrangement in which the Government was a lessee to a complex financial and management arrangement. Interior, during the first 6 years of the project, adopted the role of a prospective tenant of a privately owned facility and did not get involved in the management and direction of the project. This approach contributed to later management and construction problems.

### OWNERS' MANAGEMENT

Subsequent to the National Visitor Center Facilities Act, the Washington Terminal Company, owned by the Penn Central and the Baltimore and Ohio railroads, conveyed title of the station to two realty companies--Terminal Realty Penn Company and Terminal Realty Baltimore Company, also subsidiaries of the railroads. The reason for this conveyance was to separate the property for purposes of financing, to insure that all profits from the prospective lease agreement would flow directly to the railroads, and for tax purposes. The two realty companies thus became the owners of the station.

Under the terms of the lease agreement, signed December 1968 and superseded in March 1972, the owners had responsibility for renovating the station and constructing the parking facility; Interior would lease the completed facilities with an option to purchase it upon payment of the unamortized mortgages on the property.

In September 1969, the owners solicited bids for a contractor-agent from 12 companies and received nine proposals. Three firms, one of which was the George Hyman Construction Company, were eliminated from further consideration because they proposed doing part of the construction work themselves; the owners' records show this was unacceptable because it would raise questions on conflict of interest. Negotiations were conducted with the remaining six firms, and the firm of Kuljian Engineers and Constructors was selected because of its acceptable price and the added advantage of having a permanent staff of architects and engineers with worldwide experience.

Although the contractor-agent had been selected in September 1969, it was not until June 1972 that a contract was signed. Shortly thereafter, the contract was canceled and the owners indicated that the time lapse and recent events had greatly changed the way the project must proceed. The owners said that a local firm would be in a better position to provide service at the lowest cost. Accordingly oral bids were secured from three construction companies, and Hyman was selected. The owners told us that Interior supported the substitution of Hyman for Kuljian. We were unable to obtain any further explanations from the owners for this series of events.

The George Hyman Construction Company and the owners entered into an agreement for contractor-agent services on February 27, 1973. In addition to assisting and advising the owners and the architect on construction matters, the contract authorized the contractor-agent to perform any construction work which it felt to be in the owner's best interests.

Interior officials informed us that the subcontracts with Hyman for construction work were awarded by the owners with the concurrence of Interior. The owners gave several reasons why it made sense to permit Hyman to act as a subcontractor. (1) Hyman has an excellent reputation for concrete work. (2) Considering the urgency to complete the project, Hyman, being on the site, could coordinate its work with other subcontractors. (3) There was no indication at the time that anyone could perform the work at a lower cost.

Construction began in March 1973. Hyman did, in fact, become the major subcontractor for the project and performed most of the pile, cap, steel, and concrete work, representing \$11.8 million of the project costs through June 1976. We consider this arrangement to be imprudent because it would reduce the opportunity for competitive bidding on subcontracts, and because it would allow the contractor to inspect and accept its own work.

Under the contract, the contractor-agent's fee was 1.22 percent of costs. This was a cost-plus-percentage-of-cost fee arrangement but was not illegal because the contract was a private agreement between the owners and the contractor-agent and not subject to Federal procurement laws and regulations. Later agreements, when Interior became actively involved, established fixed fees based on target costs for those portions of the project funded by Interior,

the Center, and the auto parking levels, but the agreements retained the fee of 1.22 percent of cost on the bus parking level which was mostly financed by the owners' \$16 million. Interior agreed to share any excess costs up to \$850,000 over the \$16 million and to assume any costs over that \$850,000. To the extent Interior contributed funds to the bus parking level over and above the owners' contribution, Interior was technically involved in a cost-plus-percentage-of-cost fee arrangement. The amount of this fee paid by Interior, however, was only about \$18,000.

Interior disagrees with our opinion on the cost-plus-percentage-of-cost fee of \$18,000 on the ground that this portion of the contractual arrangement between Hyman and the owners retained its private nature, and because the funds paid by Interior for construction work were paid under the lease agreement between Interior and the owners. We disagree with this position because we think it is clear that Interior became a party to the construction contract between the owners and Hyman when it agreed to fund portions of the work; therefore, Federal Procurement rules applied to the extent Federal funds were involved.

As of January 31, 1977, Interior auditors were examining the records of the Hyman Construction Company concerning the project to ascertain costs Hyman claimed and his fees as contractor-agent and as subcontractor. Previous Interior audit reports, in July and November 1975 and March and July 1976, reviewed costs claimed, the need for updated detailed cost estimates, lack of independent inspection, and other contract matters.

#### INTERIOR'S MANAGEMENT

The National Visitor Center Facilities Act was amended in July 1973 (Public Law 93-62), and Interior was authorized to contract with the owners and certain other parties for necessary alterations to supplement the owners' renovation of the station. The Congress appropriated \$8.68 million for this purpose, and Interior exercised its contract authority in December 1973.

#### First letter agreement

On December 21, 1973, Interior, the owners, and the contractor-agent entered into a new agreement providing for a complete restructuring of the financial and management aspects of the project. This agreement provided that the owners (1) would be relieved of further financial responsibility for the renovation of the station, (2) would use their entire \$16 million investment to finance structural supports for the parking facility,

bus parking level, and the mezzanine ramp to the first car parking level, and (3) would be responsible for any cost overruns on their portions of the project. Interior assumed full responsibility for renovating the station and the auto parking levels, and the owners retained responsibility for constructing the new railroad passenger station. Interior also assumed major management responsibility for the project.

The National Visitor Center was, for financial management purposes, divided into three distinct projects.

<u>Description</u>	<u>Responsible agent</u>
Renovation of Union Station	Department of the Interior
Bus level parking and access ramp	Owners
Three levels of auto parking	Department of the Interior

The December 21, 1973, letter agreement represents the most favorable position Interior held throughout the program's existence. For the first time the owners and Interior shared project responsibility. Management procedures were established for (1) developing schedule and cost data, (2) procuring goods and services, (3) subcontracting, (4) instituting change orders and contract amendments, and (5) reporting.

Changes due to Amtrak suit

A revised design had placed the railroad passenger terminal under the parking garage. On June 28, 1974, Amtrak filed suit against the owners alleging that they were not fulfilling their responsibilities to provide an adequate passenger station. Following this action, the Chemical Bank and the Emigrant Savings Bank both withdrew commitments to finance the project.

On August 27, 1974, the owners informed Interior that without the banks' commitments for financing, they would incur no expenditures on the project after midnight, August 31, 1974. Furthermore they gave notice of their intent to formally terminate all contracts on October 1, 1974, unless Interior accomplished the following.

- Advance whatever funds are needed after August 31, 1974, to have the project work continued by the contractor-agent.
- Amend the National Visitor Center Facilities Act of 1968 by deleting the reference to parking for 4,000 cars.



- Provide an unconditional guarantee of construction financing and permanent financing.
- Execute and deliver a mutually satisfactory written agreement providing for location and general configuration of the new Amtrak railroad passenger station in the east wing of the station.
- Suspend any further work at the station until the above requirements are accomplished.

Interior funded the project on a temporary basis, from September 1 to 26, 1974. During this period Interior first attempted by court order to force the owners to resume funding the project, but the court ruled in favor of the owners because of loss of financing. After this, Interior acknowledged that it must settle Amtrak's lawsuit, amend the legislation, and obtain an additional \$12.9 million or abort the project, a step which would cost the Government about \$8 to \$20 million.

The National Visitor Center Facilities Act of 1968 was amended again by Public Law 93-478, in October 1974, to delete references to parking for 4,000 cars and increase the authorization ceiling by \$12.9 million.

#### Second letter agreement

The owners, contractor-agent, and Interior entered into a second letter agreement on October 31, 1974. They agreed that the owners would provide a replacement passenger station, the primary basis of Amtrak's lawsuit. They also agreed that the owners and Interior would equally share the projected \$850,000 cost overrun on the owners' portion of the project, and that Interior would bear all costs in excess of that amount.

In summary, Interior assumed almost the entire burden of financial risk for the project and agreed to build the northwest and southeast ramps, which increased the scope of the project.

Financing was reinstated by the banks in November 1974, Amtrak withdrew its lawsuit on December 18, 1974, and the suspension of work was lifted on December 20th.

#### Problems in resuming work

Suspending work created two situations which delayed construction and increased costs. During the suspension, subway construction work began which blocked access

to the site and caused the need for an access ramp over the construction area, which was not completed until January 30, 1975. Also, as a result of the suspension, the contractor-agent lost its delivery position with the structural steel manufacturer, and steel did not become available on the site until the beginning of September 1975.

Interior, in trying to have the facilities ready for the bicentennial celebration, ordered the work accelerated on January 15, 1976. Construction of the parking facility progressed until the contractor-agent notified the owners on May 11, 1976, that available funds were inadequate to complete the parking facility. The notification identified cost overruns of \$4.9 million and stated that if funds were not provided, the contractor-agent would stop all work and terminate the subcontracts on the parking facility.

Interior suspended work on the parking garage and tried to find additional financing and to evaluate the contractor-agent's estimated cost overrun. Work on renovating the station continued, however, and the Center was officially opened on July 4, 1976, although the two ends of the concourse were not completed.

#### Project termination

Interior went back to the Congress in August 1976 to obtain \$3.5 million which was authorized by Public Law 93-478 but had not been appropriated. This funding was needed to complete the Center and the Southeast ramp and to carry out the work required under a partial termination notice issued by Interior on September 3, 1976. This notice directed that

- all contracts on the auto parking levels be terminated,
- the bus parking level be completed except for the mezzanine ramp, and
- all equipment and shoring be removed.

While construction under the termination notice was in progress, Interior sought sources of financing to complete three of the four auto parking levels. A final termination notice in November 1976 directed completion of the east wall of the Center and termination of

construction on the southeast ramp. Interior would like to finish the auto parking levels and mezzanine ramp to those levels under a new contract to be formally advertised. It believes construction of the parking levels could be completed about 4 months after award of this contract, and construction of the southeast ramp could be completed in about 11 months after the award.

Transportation has, over the last several months, expressed interest in assuming the lease and ultimately acquiring ownership of the station. It appears clear that Transportation views the primary use and function of the property as a passenger terminal, although it would retain part of the facility as a visitor orientation center. There has been no agreement, however, between Transportation and Interior since they have been unable to decide how much space would be allocated for visitor orientation purposes.

Specifically, Transportation appears willing to assume total management responsibility for the project and to finish the uncompleted parking garage. A Transportation official has stated that, for the present, there is no intent to build the 4,000-car facility. In hearings before the House Appropriations Subcommittee on Interior, held on September 28, 1976, Transportation outlined the following proposals.

- The Visitor Center would be retained in its present configuration through 1977.
- Through an amendment to the National Visitor Center Act of 1968, Transportation would assume the long-term lease of the station and the parking structure as soon as there is a full agreement between the Departments to permit control of the project to pass to Transportation as the dominant user.
- With available reprogramed Park Service funds of \$3.2 million, Interior would complete all ongoing Visitor Center projects with the exception of the parking garage. Interior would also complete the southeast access ramp and bus staging areas as part of the urban mass transportation facility, for which a Transportation grant of \$8.16 million has been committed.
- The owners would complete the replacement station north of Union Station.

--Transportation would be committed to resolving the parking problem in a reasonable and economical manner.

--Rail passenger handling facilities would occupy one-third of the old building, but the National Visitor Center would still occupy about two-thirds of the old building.

A Transportation official has stated that the proposed restructuring of the station would greatly benefit users of public transportation, tourists, and taxpayers. More important, however, under the Transportation plan, the station would be restored to its proper function as a transportation facility.

The project architect has pointed out that Transportation's proposal anticipates using the station for both railroad and intercity bus facilities. He stated that the additional local traffic created by the extra bus facilities could not be handled by the traffic circle in front of the building and, further, that such traffic should use the overpass behind the building.

If construction of the project is resumed, the General Services Administration or the U.S. Army Corps of Engineers, which are experienced in managing similar Federal construction projects, would be good choices to oversee the construction. After the project is completed, it could be turned over to either Transportation or Interior for operation.

Legislation will be required to complete the part of the Center facilities which were left unfinished after the termination notice whether Interior or Transportation controls the project. If Interior is to complete the project, it must have an additional appropriation from the Congress. Estimated costs to complete the existing facility range from \$38 to \$68 million. If Transportation is to complete the project, legislation is required to transfer the leasehold of the station and the relevant air rights from Interior to Transportation. Senators Stafford and Morgan proposed a bill, S-492, on January 28, 1977, which would transfer responsibility for the project from Interior to Transportation.

The area being leased by Interior at an annual rental cost of \$3,338,000 includes the station building and certain air space over the railroad tracks. In addition to about 60 percent of unused air space, we observed an enormous amount of space within the station building not being used, and we could not find a plan for the unused space.

## Reporting of project problems

On December 29, 1976, we issued a report to the Congress on the need for improved reporting on selected major civil projects. We pointed out the need for civil agencies to periodically report to the Congress on the status of major projects which allocate relatively large resources and which warrant special management attention. This should be similar to the Department of Defense which quarterly provides such data to the Congress in its Selected Acquisition Reports on major weapon systems.

In view of the many problems encountered, we believe frequent reporting of cost, schedule, and performance status is necessary for this troubled major project.

## CONCLUSIONS

When Interior became a party to the contract between Hyman and the owners by agreeing to the insertion of Federal funds, we believe that Federal procurement rules were applicable to the extent Federal funds were being expended. When Interior negotiated the second letter agreement, it did not prevent a cost-plus-percentage-of-cost fee arrangement for the contractor-agent under which Interior has paid about \$18,000 in fees.

The termination of work on the project has presented an opportunity for the Congress to resolve whether the project should be oriented toward visitors or rail passengers; and whether the Center will be managed, over the term of the lease, by Interior or Transportation.

If Interior is to complete the project, legislation is required for appropriations, and if Transportation is to complete the project, legislation is needed to transfer the leasehold. Whichever agency the Congress selects to complete the project, that agency will have the opportunity to establish better construction contracts.

We believe Interior should determine its requirements for all space, including air space for the project, and prepare basic layouts showing planned utilization.

We also believe that the cognizant House and Senate Committees should be provided with periodic status reports on the Center project until completed so that the congressional committees can be fully informed on the status of the project.

Another issue concerns whether it is desirable to finish only the incomplete structure or to build the entire project

to conform with the approved design. Before authorizing any additional construction, there should be a clear agreement between the Congress and the Departments of Transportation and the Interior on the final project design and cost limits as well as which agency should be assigned responsibility for completing the project.

#### AGENCY COMMENTS

Interior questioned this report's implication that it does not have the expertise to handle a major construction project. It supports this by pointing out that the bureaus and offices of Interior have successfully handled many multimillion dollar construction projects. Interior suggests that in the future it should insure that an adequate level of resources and construction management expertise are applied to construction projects.

Transportation believes it is inappropriate to consider another Government agency for completing the present plan and implementing projects necessary for increased transportation use. It further believes it has the necessary mechanisms for undertaking design and construction management services independently.

While we acknowledge the many special problems of this project, we believe that Interior's performance on the project's construction was unsatisfactory. But we think an agency more experienced in the construction of this type of project should do better than either Interior or Transportation.

Transportation believes that any reduction in the lease payment for nonuse of air rights would be minimal, and that it is preferable to hold open the Government's options regarding these air rights. We believe that the Government should not lease air space it does not need.

#### RECOMMENDATIONS

We recommend that the Congress require the agency designated for managing the Center to:

- Determine whether any other public use is intended for the unused leased air rights so that it may seek to renegotiate the lease for the value of the air rights being used for the project.
- Develop a utilization plan for the upper and lower levels of the station.

If a decision is made to continue construction, we recommend that the Congress assign responsibility for construction to a Government agency familiar with construction of similar projects, such as the General Services Administration or the Army Corps of Engineers. We also recommend that the Congress require the agency responsible for construction to:

- Submit to the Congress periodic status reports on this project similar to the Selected Acquisition Reports submitted by the Department of Defense on major weapon systems.
- Use fixed price contracts to avoid further cost overruns and to establish better control of construction.

MEMBERS ELECTED BY THE SENATE

EDWARD G. BROWNE, MAINE	ROBERT H. BARKER, OH. (Vice-Chairman)
JOSEPH P. CARROLL, N. CAROL.	JAMES A. EASTLAND, MISS.
ORRLE GRAYSON, ALABAMA	ROBERT F. WICK, ILL.
LLOYD BENTON, TEXAS	ROBERT F. WICK, ILL.
CHARLES H. McNAIR, INDIAN.	ROBERT F. WICK, ILL.
JAMES C. EASTLAND, MISS.	ROBERT F. WICK, ILL.
ROBERT F. WICK, ILL.	ROBERT F. WICK, ILL.

DR. BARRY GOLDMAN, CHIEF COUNSEL AND CHIEF CLERK  
DANIEL M. GOLDMAN, ASSISTANT CLERK

## United States Senate

COMMITTEE ON PUBLIC WORKS  
WASHINGTON, D.C. 20510

June 10, 1976

Honorable Elzer B. Staats  
Comptroller General  
General Accounting Office  
Washington, D.C.

Dear Mr. Staats:

A June 4 article in the Washington Post has come to my attention, that states work has been stopped on the National Visitor Center parking garage because of a \$4.9 million cost deficit.

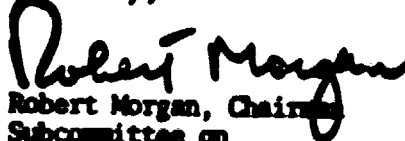
During my incumbency as Chairman of this Subcommittee I have had the impression, until now, that work there was progressing satisfactorily. Although the initial authorization and subsequent transactions involving the Center preceded my arrival, our files indicate that the Senate Public Works Committee played a vital role at the outset in getting the project underway and helping secure additional funds when needed. No requests have been made for the past several months, however, resulting in the apparently incorrect assumption on our part that all was going well. At no time has Interior Department indicated problems of the nature described in the Post article.

In order that Committee Members may know what transpired, in the event they must again take action, I request a review by your agency of all circumstances contributing to the present situation, and submittal of an in-depth report at the earliest practicable time.

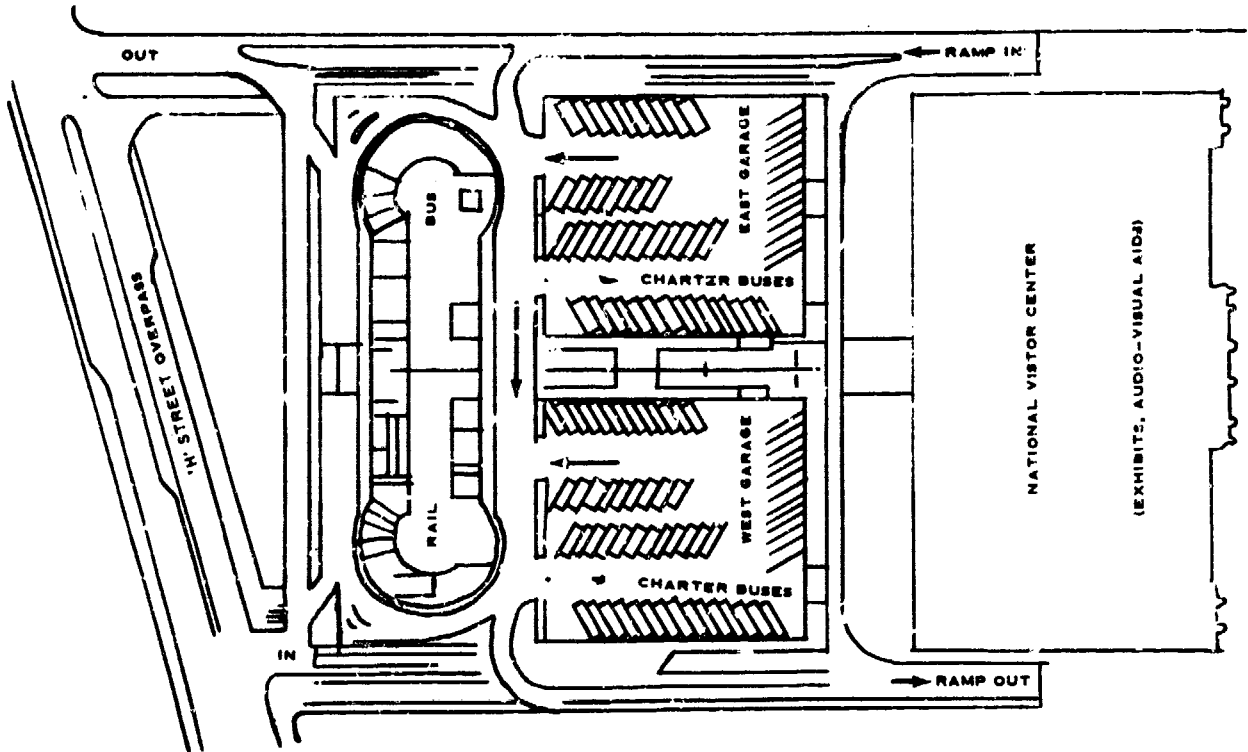
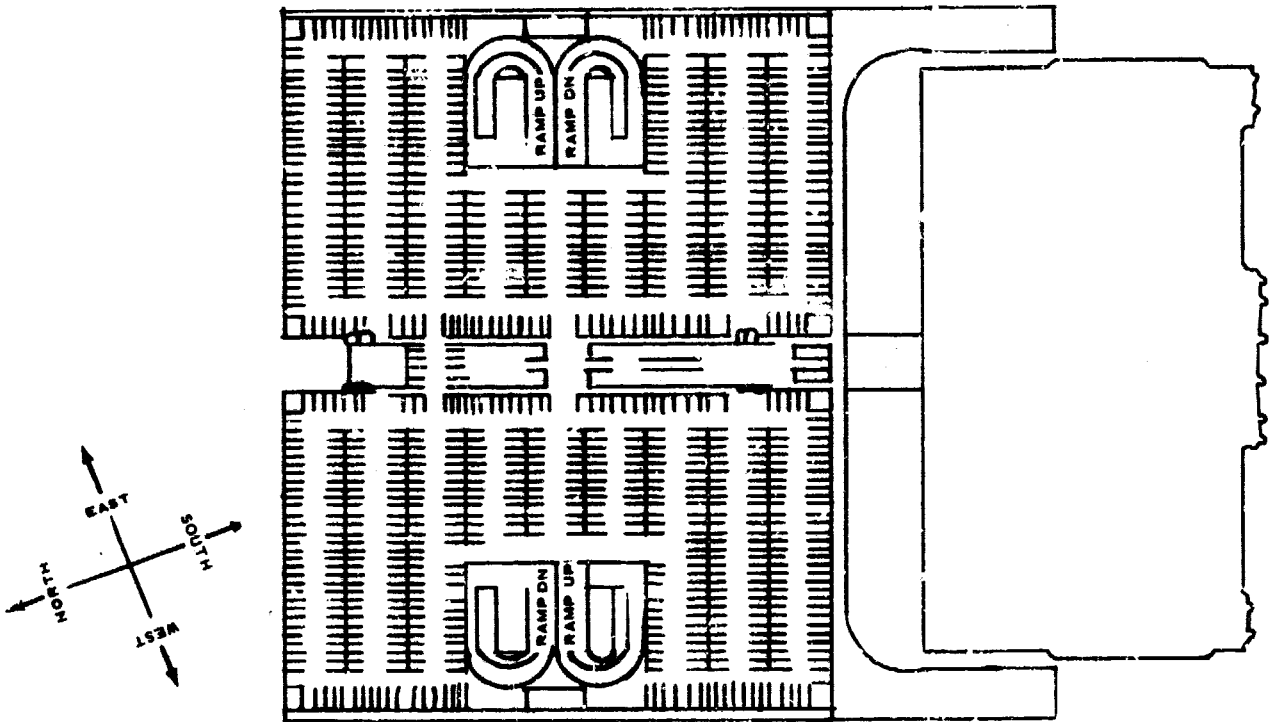
I want the report to include a detailed narrative of all design and construction contract negotiations, project revisions, change orders effected, and reference to any that may be proposed. It should also include comprehensive cost breakdowns and identify funding sources in each instance. Further, I would like it to focus upon supervisory aspects of the project, and allocation of responsibility in this respect.

Your prompt consideration will be genuinely appreciated.

Sincerely,

  
Robert Morgan, Chairman  
Subcommittee on  
Buildings and Grounds







## United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

FEB 18 1977

Mr. Henry Eschwege, Director  
Community and Economic Development Division  
U.S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Eschwege:

The GAO draft report, "The National Visitor Center--its Problems and Alternatives," delivered on February 11, 1977 contains a number of factual errors and, in some instances, presents a distorted picture of the facts by incorrect use of noncomparable cost data. Moreover we think that the digest, as written, does not fairly present some of the information set forth in the body of the draft report. Further, the report is almost completely silent on the circumstances which had a significant impact on the complexity of the project such as the lack of access to the construction site due to railroad restrictions, work stoppages (including strikes), and the inflationary spiral (estimated at two to four percent per quarter that occurred between 1968 and 1976). These three factors and 13 others are identified in a report (provided by the Department to GAO) in which a Departmental contractor (KCE Structural Engineers), identified the major factors which contributed to the cost growth.

Since we were only given five working days to review and respond to the report, we obviously have not had an opportunity to identify or thoroughly study all the problems. This letter will present a discussion of what we have identified to be the most significant problems of the draft report in the limited time available. The first attachment to the letter will comment upon areas of lesser importance.

Problems Relating to GAO's Use of Cost Data and Cost Projections

The following major points are made relative to this subject:

[See GAO note p. 34.]



[See GAO note, p. 34.]

3. Fee arrangement. On pages 25, 33 and 34, GAO indicates that Interior was "technically involved" in a cost-plus-percentage-of-cost fee arrangement on Project 2A, the amount of fee paid by Interior being \$18,000.

The Solicitor's memorandum of December 27, 1976 to the Secretary (a copy of which was previously provided to your office) discusses in depth the question of an alleged improper cost-plus-percentage-of-cost contract. Our Solicitor's office concluded that an improper arrangement was not involved in the project. GAO, on page 25 of its report, indicates the fee arrangement was not illegal because the contract was a private agreement between the Owner and the contractor-agent and was not subject to the Federal procurement laws and regulations.

[See GAO note p. 34.]

#### GAO's Construction Management Recommendations

The report implies that Interior does not have the expertise to handle a major construction project, and that GSA or the Army Corps of Engineers should manage further construction on the project. A myriad of problems, some of which are enumerated in the introduction to this letter, contributed to the less than satisfactory results in this one project. We feel that the Department's overall competence to handle major construction projects should not be so generally questioned. The bureaus and offices of the Department have successfully handled many multimillion dollar construction projects. Examples include Reclamation's dam and irrigation projects, Bonneville's transmission line and substation projects and BIA's road and school construction projects. The Park Service has also successfully completed many such projects, i.e., Gateway Arch in St. Louis, Independence National Park in Philadelphia, and the Filene

Center at the Wolf Trap Farm Park. It is also interesting to note that early legislative proposals called for the direct involvement of GSA. It should be noted that the original lease was negotiated in consultation with the Administrator of GSA as required by the original Act (P.L. 90-264). Hence, the more appropriate recommendation might be to have the Department insure that an adequate level of resources and construction management expertise are applied to all future construction projects.

We would be pleased to assist in answering any other questions you might have.

Sincerely,



Richard R. Hite  
Acting Assistant Secretary -  
Administration and Management

**Attachments**

- GAO notes:
1. Deleted comments refer to material not included in this final report.
  2. Page references in this appendix refer to our draft report and may not correspond to the pages of this final report.



## NATIONAL CAPITAL PLANNING COMMISSION

1325 G Street, N.W.  
Washington, D. C. 20576



In Reply Refer To:  
NCPC File No. 0281

Feb. 18, 1977

Mr. Henry Eschwege, Director  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

We have reviewed the draft report on the National Visitor Center and offer the following comments:

The report accurately attributes to the National Capital Planning Commission the concept of an intermodal transportation terminal which was embraced by the parties involved and incorporated into the designs. It should be noted, however, that the concept derives from the 1967 proposed Comprehensive Plan for the National Capital and not from the Commission's transportation study started in April 1968 as stated on page 13 of the draft report. The intermodal terminal concept was embraced by and incorporated in the National Visitor Center Facilities Act of 1968, which directed that a heliport be developed as a part of the parking garage and relocated railroad passenger station. The combination of a heliport and railroad, rapid transit, local bus, and automobile facilities made the project an intermodal terminal.

The Commission recommended in March 1970 the inclusion of terminal facilities for intercity buses in the project at the concept stage. In accordance with this concept, the Commission approved preliminary site and building plans in June 1970 pursuant to its "in-lieu-of-zoning" authority over Federal building construction in the District of Columbia (D.C. Code, sec. 5-428). Since, under the terms of the lease between the railroads and the Department of the Interior, the building eventually would be owned by the Federal government, the Commission's General Counsel advised the Commission that the facility was a "Federal public building" for purposes of plan review. At the time of the preliminary plan review, the Commission was aware that there was no funding available for the bus terminal and expected that the cost of constructing the railroad passenger terminal would be borne by the railroad companies as required by the National Visitor Center Facilities Act of 1968.

The final design for the parking structure and its passenger terminal facilities was approved by the Commission on October 7, 1971. The final plan contained essentially the same amount of terminal building space as in the preliminary plan, but rearranged so as to alleviate some

circulation problems inherent in the original scheme. The only additional features which may be attributed to the "intermodal" part of the project at that time was a bus loading floor and some additional bus passenger handling areas adjacent to the railroad terminal on the main floor. It was the Commission's understanding that, while there was provision in the plan for the bus facilities, they would not be built unless a separate private source of funding could be found.

With respect to the provisions in the plans for the railroad passenger terminal, it should be remembered that there was a change in status and responsibility while this project was being developed. At its inception, the responsibility for accommodations of rail passengers lay with the railroad operating companies who also owned the building. Under the terms of the authorizing legislation they were responsible for the replacement, under or adjacent to the parking garage, of passenger facilities which were to be relocated out of Union Station to make room for the Visitor Center. During the execution of the project the responsibility for rail passenger service passed to Amtrak, a quasi-governmental organization. Amtrak was dissatisfied with the provisions for temporary railroad passenger facilities inherited from its predecessors, especially since funding for the parking structure would not allow adequate passenger terminal space to be built, as called for in the overall plan.

Alterations of plans which have occurred since the Commission's last review in 1971 have not been submitted to the Commission for "in-lieu-of-zoning" approval as required by law. The result has been that the facilities that have been built to date bear little resemblance to the plan approved by the Commission, particularly with respect to the replacement railroad station. While such plans for Federally constructed buildings are required to have Commission approval, the Commission has no enforcement or inspection capability and must rely on the sponsoring agencies to see that approved plans are properly carried out.

It is speculative whether additional Commission reviews of the plans would have lessened the complexity of the problems that burdened this project. However, additional Commission reviews of modified plans could have provided opportunities for the Congress and the public to become aware of the actual situation as it was developing.

It is hoped that these staff comments are helpful to you.

Sincerely yours,



(for) Charles H. Conrad  
Executive Director

GAO notes: Page references in this appendix refer to our draft report and may not correspond to the pages of this final report.

Feb. 23, 1977

Mr. R. W. Gutmann, Director  
Procurement and Systems  
Acquisition Division  
U.S. General Accounting Office  
6th and E Streets, N.W.  
Washington, D.C. 20548

re: National Visitor Center  
GAO Draft Report, February, 1977

Dear Mr. Gutmann:

This responds to your request for review and comments on the above referenced report. Because of the short period of time you allowed for this review and in view of the importance of its accuracy, I appreciate your willingness to extend the time for my response from February 16 to February 22.

In order to accomplish this review in even the extended time made available, I have followed a format of annotating a copy of your Draft Report with a marginal reference number which coordinates with the numbered comments in this letter. Unavoidably, this has produced some repetition. I expect to further review the Draft Report and may see fit to give further comment.

The tone of the Report, particularly the opening sections, tends to be more spectacular than objective. The Report gives the reader a view of this troubled project which is not totally correct or clear. Rising above all other erroneous impressions given by the Draft are the following:

[See GAO note p. 44.]

[See GAO note p. 44.]

- D. That the project has serious structural defects and could result in a major structural collapse. This statement is so spectacular as to possibly incite panic. Based on the facts as I have been told them, there are conditions which need repair, but none which are "major defects" when kept in perspective with the existing building and its age. Only the wildest speculations could lead anyone to suggest the imminence of collapse. This intemperate statement must be tempered to reality.

\* \* \* \* \*

The following comments are keyed by number to the attached copy of the GAO Draft Report:

Digest

[See GAO note p. 44.]

The cost to complete the 4 decks of parking of the "existing" facilities is stated as being \$10.3 million, yet the expenditures to date on those same decks, more than 60% complete, is stated as being \$10.1 million. These two figures do not appear consistent.

[See GAO note p. 44.]



[See GAO note p. 44.]

Furthermore, and more importantly, the cost estimates contained in the N.V.C. Study Commission Report reflect the uncontestable fact that the \$16 million direct construction cost was already agreed to by that time. The cost estimates in the Study Commission Report essentially state what could be accomplished for that amount of money, in direct construction costs, at the then current cost of construction. The predetermination of this budget was by agreement between the Owners, representatives of the Interior Department and at least one member of Congress. This early agreement was announced by Congressman Gray in a press release dated May, 1967, 2 months prior to the time the Study Commission retained its professional consultants and 4 months before the N.V.C. Study Commission Report was published on September 15, 1967.

4. Representatives of the Department of Interior, Department of Transportation, the Terminal Cos, Greyhound and Trailways Bus Companies and Amtrack, along with their several consultants did in fact give verbal approval to an ultimate design for the National Visitor Center-Intermodal Terminal on January 17, 1974. This design work was funded by Greyhound Bus Lines and Amtrack.

This design is what the GAO Draft Report refers to as the Intermodal Concept. Its design responds to the requirements of Amtrack as stated by them in June 1973 in "Washington, D.C. Intermodal Transportation Center Guidelines and Requirements for Rail Passenger Facility." This program of Amtrack requirements is based on their forecast of need "through the 1990's".

5. The allegation of "serious structural defects" is an apparent overstatement. Our office has been informed that certain beams at the Concourse floor were found to be rusted to the extent that they could not support a masonry wall designed by the NPS's architect. In fact, those beams could never have supported the weight of a masonry wall. For that reason, and others, our design contemplated a light glass wall.

The NPS field engineer, Mr. Dean, has informed me of a crack in the old granite wall which "should have been fixed prior to SE Ramp construction." He informed me that it's a relatively minor matter. Apparently the parties having responsibility for field inspection did not observe and order its repair at the proper time.

Chapter 1  
Introduction

[See GAO note p. 44.]

Chapter 2  
Status, Schedule and Cost

[See GAO note p. 44.]

10. The Department of Transportation proposals which are apparently based on studies made for them by outside consultants anticipate the use of the Old Terminal for both Railroad and Inter-City bus facilities. To include the bus facilities in the Union Terminal Building would run contrary to constraints imposed on the project by NCPC and the DC Highway Department. Under these constraints, borne out by other independent traffic analysis, the additional local traffic generated by the addition of the bus facilities could not be carried on Columbia Plaza. The H Street Overpass was found to be about the only way to reasonably get this added traffic into the desired Intermodal Terminal. The GAO Draft Report should make a point of this as it is critical to a proper understanding of the desires and intentions of Amtrack and DOT.

The H Street Overpass was apparently constructed with Federal Highway funds in the magnitude of \$20 million for the specific purpose of gaining traffic address to the proposed Intermodal Terminal. Should the Intermodal Terminal be located in the Old Union Station then this vast expenditure would have been for naught. GAO should examine this matter with particular regards to the DOT proposal.

[See GAO note p. 44.]

12. GAO's reference to the structural deterioration is frighteningly alarmist. These deficiencies have been known to the NPS, the Owners and the Construction Manager for a long time. (See Item #5 of this paper). GAO should present the fact of these problems in proper perspective.

13. Not only were major changes to the electrical, water and steam systems not made, they were never contemplated because of the limitation of funding by the Congress. (See N.V.C. Study Commission Report, page 41, paragraph 2).

The matter of the termination of Railroad steam supply was known to the NPS as early as 1970 or before. Studies were made and negotiations with the Architect of the Capitol were initiated to use steam from the Capitol Power Plant. The NPS was never capable of consummating an agreement to connect to the Capitol steam system. Instead a very long new steam pipeline from the Railroad Steam Plant at their Eckington yard was built at a rather large cost.

[See GAO note p. 44.]

Chapter 3  
Project Planning

[See GAO note p. 44.]

Chapter 4  
The Intermodal Transportation  
Concept: Its Impact on the VC Project

18. In no way did the Intermodal Concept become the "primary design consideration." The N.V.C. project, from the time the principle of the Intermodal Terminal was introduced, was designed so that it could be built without the Intermodal Terminal.

19. The NCPC did not propose the combining of the bus terminal with the rail terminal in the N.V.C. Garage. Quite to the contrary, NCPC and their consultants proposed an Intermodal Terminal at Florida and New York Avenues, N.E. At the meetings called by NCPC on the matter their proposals drew considerable objection from the rail and bus interests. The Greyhound and Trailways Bus Companies commissioned the N.V.C. Architect to study the feasibility of an Intermodal Terminal. The NPS and the Railroad Owners were cooperative. Eventually, the NCPC was convinced of the merit of the Intermodal Concept at the N.V.C., embraced this plan and ordered their consultants to adjust their work accordingly.

[See GAO note p. 44.]

[See GAO note p. 44.]

22. The Commission of Fine Arts expressed its displeasure at the N.V.C. presentation because it was stressed that the H Street Overpass might not be built, and without it, the Intermodal Terminal could not be included in the project. They suggested that a presentation be made to them when the entrance and exit facilities were finally determined.

[See GAO note p. 44.]

24. The design effort, contrary to the statement that it was "essentially directed at a new intermodal concept", was directed towards a parking facility which could be built with or without the Intermodal Terminal. The Parking Facility could be built and could function whether or not H Street was constructed and it could be cut back to meet an ever tightening budget because of inflation. To suggest that the design was contrary to the intent of the project is absolutely inaccurate and portends a very damaging misunderstanding on the part of readers of the GAO Draft Report.

[See GAO note p. 44.]

26. It is my understanding that the NPS had to agree to permit Intracity Buses (Metrobus) to use the Main Deck of the Parking Facility as a staging area in order to secure promised funding from U.M.T.A. This had no design impact at all, but did have the effect of eliminating about 190 parking intercity buses.

[See GAO note p. 44.]

Chapter 5  
Management

[See GAO note p. 44.]

\* \* \* \* \*

I am certain GAO, being a responsible Government agency with an obligation to truthfulness, will make all the necessary corrections to this Report before it is issued. Though it has been stressed to me that GAO is under a severe deadline for this Report, I can imagine no pressure of time which would provide excuse for not making major corrections to the Draft.

If you wish further assistance please feel free to call.

Very truly yours,



Seymour Auerbach, FAIA

GAO note: Deleted comments refer to material not included in this final report.

**THE GEORGE HYMAN CONSTRUCTION CO.****ENGINEERS AND CONTRACTORS****4930 DEL RAY AVENUE  
BETHESDA, MARYLAND 20014****PHONE: (301) 966-4100****Writer's Direct Dial Number****986-8265****February 16, 1977**

**Mr. R. W. Gutmann, Director  
Procurement and Systems  
Acquisition Division  
U. S. General Accounting Office  
Washington, D. C. 20548**

**Dear Mr. Gutmann:**

The George Hyman Construction Company appreciates the opportunity to comment on the draft report to the Congress of the United States entitled "The National Visitor Center -- Its Problems and Alternatives". We would appreciate it if this letter is included in your final report.

The bulk of the matters discussed in the draft report do not directly involve The George Hyman Construction Company, and we will not comment on such matters.

The draft report indicates that The George Hyman Construction Company awarded subcontracts to itself. This is factually incorrect. All subcontracts to perform construction work which were awarded to The George Hyman Construction Company were awarded by Terminal Realty Baltimore Company with the concurrence of the National Park Service. The estimated cost and fee of each subcontract was negotiated on an arms length basis based on estimates submitted by The George Hyman Construction Company and by the Park Service's consultant, Monk Dunstone Associates. Detailed negotiations were conducted before agreement was reached and the results of the negotiations were recorded by the National Park Service. Authorizations to proceed referencing these agreements were then written up by The George Hyman Construction Company and signed by the representatives of the National Park Service and Terminal Realty Baltimore Company.

In the case of most work in the terminal building (Project 1), contracts were entered into pursuant to the Basic Ordering Agreement on Department of Interior forms.

Continued . . . .

The above described procedures were adopted by the National Park Service because plans and specifications were generally incomplete when construction had to proceed if the Bicentennial opening was to be achieved. Only cost-type work was possible under these circumstances. Conducting competitions for cost-type contractors would have resulted in substantial delays without any countervailing benefits. The procedures adopted by the Park Service, (i. e. the negotiation of subcontracts between Terminal Realty Baltimore Company and the National Park Service as the buyer and The George Hyman Construction Company as the seller), saved substantial time while at the same time protecting the interests of Terminal Realty Baltimore Company and the National Park Service.

As the report notes, early cost estimates dealt with numerous designs which were not built. The first estimate on the design concept actually adopted for the parking garage was incorporated in the December 21, 1973 tripartite agreement and estimated Project 2A at \$16,000,000 and Project 2B at \$7,000,000. The actual cost including the estimate to complete (before termination) for Project 2A was \$17,775,000 and for Project 2B was \$10,443,000. The increases were due to numerous causes beyond the control of The George Hyman Construction Company. First, at the time the estimate was made, design was incomplete and the ultimate design was more costly than originally contemplated. Second, numerous changes were introduced during construction. Third, work was suspended by the National Park Service on September 26, 1974. In October, The George Hyman Construction Company estimated that, for Project 2A alone, the suspension cost would be \$850,000, assuming that the suspension was lifted on November 17, 1974. In fact, the suspension was not lifted until December 20, 1974, and by that time, site access had been blocked by subway construction. Site access was not thereafter obtained until January 25, 1975, when a ramp giving site access was completed. Fourth, work was delayed and costs increased because subway work, which was scheduled to be completed in late 1974 was delayed almost two years. Construction of the parking garage had to be resequenced and performed in a more costly manner to avoid working over excavations for subway construction. Fifth, there were numerous strikes, particularly in 1975, which delayed construction substantially. Sixth, in an endeavor to overcome the above referenced delays, the Park Service ordered an acceleration involving substantial overtime so that the National Visitor Center could be ready for Bicentennial use, albeit on a limited basis.


Continued . . .



Project 1 (excluding the Southeast Ramp and Fourth Parking Level, both of which were terminated), was underrun by approximately \$155,000 below the aggregate estimated cost in work orders. The George Hyman Construction Company is proud of its accomplishment, notwithstanding design changes, suspension, resequencing, strikes and acceleration, holding costs within 15% of contractual targets.

Very truly yours,

THE GEORGE HYMAN CONSTRUCTION CO.

  
C. A. Merica, Vice President

CAM:jmm

## TERMINAL REALTY BALTIMORE CO.

2 North Charles Street  
Baltimore, Maryland 21201

February 18, 1977

Mr. R. W. Gutmann, Director  
Procurement and Systems  
Acquisition Division  
U. S. General Accounting Office  
6th and E Streets, N. W.  
Washington, D. C. 20548

Dear Mr. Gutmann:

This is in response to your letter of February 11, 1977, in which you requested comments on GAO's draft report on the National Visitor Center. Comments were requested six days from the date of your letter. In view of the large number of matters covered by your report, the ten-year history involved, and the need to transmit the reports to various people in Cleveland, Philadelphia, Baltimore and Washington, give them time to study their files, consolidate their comments and prepare a response, we requested an extension of the six-day limit. This was denied. Accordingly, we have done our best to comply with your mandate in the brief time available to us. We are, however, still searching our files and may discover information requiring additional comment.

These comments, which are ordered according to the draft, are submitted on behalf of Terminal Realty Baltimore Co., Terminal Realty Penn Co., and The Washington Terminal Company.

[See GAO note p. 49.]

[See GAO note p. 49.]

Fourth, the quoted passage suggests that the owners had no incentive to perform the work "in an efficient and effective manner." This is not so, as (a) the owners were at risk for up to \$16 million of their own money if the facilities were not completed, and (b) rental payments would not flow until the facilities were substantially complete.

[See GAO note p. 49.]

The foregoing summarizes our comments on your draft at this time, though as I indicated above, we are still in the process of going through our files. If you would like any further information, or wish to discuss any of our comments, please let me know.

Sincerely,

*J. T. Collinson*

J. T. Collinson  
Executive Vice-President  
Terminal Realty Baltimore Co.

GAO note: Deleted comments refer to materials not included in this final report.

DEPARTMENT OF TRANSPORTATION REPLYTOGAO DRAFT REPORTONTHE NATIONAL VISITOR CENTER--  
ITS PROBLEMS AND ALTERNATIVESSUMMARY OF GAO FINDINGS AND RECOMMENDATIONS

GAO's findings in this report deal with the management of the National Visitor Center Project. The original estimate for the project was \$16 million. It has now evolved to the point where estimates for completing the project, including acquisition, well exceed the original \$16 million estimate. GAO found that the Department of the Interior entered into an agreement that did not adequately protect the Government; Congress was not informed of costly changes in a timely manner; the owners of Union Station entered into a questionable contract with the construction company, and that there is no agreement on the final design of the complex.

GAO recommends that: (1) before authorizing any construction, there should be clear agreement between Congress and the Departments of Interior and Transportation on final project design and cost limits; (2) the Government should use fixed price contracts for future construction to complete the project; (3) consideration should be given to having an agency with construction experience (GSA or Army Corps of Engineers) to manage the project; and (4) that the Secretary of Interior determine if any public use is intended for the leased air rights.

DOT REVIEW SUMMARY

We believe that it would have been helpful if the GAO Report on the National Visitor Center--Its Problems and Alternatives, had addressed the critical issue of the long-term role of the facility in regard to both Visitor Center and intercity transportation requirements even though such a requirement was not intended to be included in this study.

The Department of Transportation has had a study underway since the fall of 1975 analyzing alternative concepts for incorporating the requisite transportation facilities at Union Station without involving excessive investment in duplicative facilities. This study has been completed recommending shared use of the Union Station facilities on behalf of the

Visitor Center and transportation interests. In order to implement the shared use of Union Station, the Department has recommended the transfer of control of the property from DOI to DOT, since future investments will be transportation-related, and that it is therefore essential that transportation have the dominant role in undertaking completion of such projects.

### DOT Comments on GAO Recommendations

#### Recommendation #1

Before authorizing any additional construction, there should be clear agreement between the Congress and the Departments of the Interior and Transportation on the final project design and cost limits.

The Department has recently completed an alternative concepts study undertaken by the architectural and planning firm of Skidmore Owings and Merrill (SOM), which was to identify alternative planning concepts and recommend a specific development program including associated capital costs for implementing a model terminal at Union Station on a phased basis in conjunction with the National Visitor Center and the replacement railroad station. The parties involved, the Department of the Interior, Department of Transportation and Amtrak were in general agreement as to the specific space utilizations proposed in Alternative B-1 of the SOM study (Attachment A). Testimony of two Assistant Secretaries of the Interior before the House Appropriations Subcommittee on September 29, 1976, on behalf of Interior's request for reprogramming funds to continue construction of projects at the Visitor Center, fully describe the agreement to scale down the Visitor Center and provide DOT with control of the facility.

In regard to the question of establishing cost limits, until such time that complete drawings and specifications are available for all projects to be undertaken at Union Station, it is virtually impossible to guarantee final cost limits on the entire project. It is the Department's intention to prepare the necessary additional plans and specifications for these projects so that fixed price competitive bids could be procured prior to undertaking any further construction on the site.

#### Recommendations #2 and 3

If the Congress sees fit to provide legislation to complete the partially constructed facilities, the Government should use fixed price contracts to avoid cost overruns and to establish better control of construction. Before construction is resumed, consideration should be given to having an experienced construction manager such as the General Services Administration or the U.S. Army Corps of Engineers, manage the project.

The Department believes it essential that there be a single, unified point of control for undertaking design as well as construction of major public works projects. In light of the fact that Union Station is already a fully operational facility and since in DOT's view any additional improvements should be undertaken on behalf of transportation users and in conjunction with or as a part of the Northeast Corridor Improvement Project (NECIP), it does not seem appropriate to consider another government agency for completing the present plan and implementing projects necessary for increased transportation use. Furthermore, the DOT already has the necessary mechanisms for undertaking design and construction management services independently and as a part of the N&C Improvement Project.

The design and development of a southern terminus for rail passenger operations along the Northeast Corridor is a necessary part of the overall NECIP. Any construction at the Union Station site should therefore be coordinated with the Northeast Corridor project's designs and schedules. In light of this necessary involvement by the Department in the NECIP as well as its oversight responsibility for Amtrak, it is clearly necessary in our view that all aspects of the Union Station project be treated as a whole.

#### Recommendation #4

GAO further recommends that the Secretary of the Interior determine whether any other public use is intended for the leased air rights that are not being used so that the Secretary can renegotiate the lease.

While the GAO report does not specifically express its concerns regarding this recommendation, DOT believes that there is no practical way to ascertain what portion of the lease payments would be applicable to air rights which are currently not being utilized by DOI on behalf of the NVC project. Our assessment is that any reduction in DOI's lease payments on behalf of the railroads for the government's non-use of these rights would be minimal. Furthermore, if GAO is suggesting that the government make available the remaining air rights to private sector interests for appropriate financial payments, any consideration of the government's further development of the properties on behalf of transportation could be precluded. The SOM study recommendations proposed that the air rights over the through tracks would be necessary if the intercity bus facilities were to be included at Union Station. Further, the 1974 Amtrak Act provides that the Secretary of the Interior transfer these air rights to DOT for this purpose. In the near term, holding open the government's options with regard to these air rights is preferable to attempting to negotiate a lease which does not define the cost of air rights or to allowing other development of these rights to take place without adequate control over their compatible use.

DOT Comment

Without passing judgment as to whether the original concept of the NVC has met its design expectations, it is clear that transportation needs at that Station are not now being met in terms of adequate space and services.

DOT believes that the transportation aspects of the project should be recognized and dealt with in a realistic way by Congress and the Federal agencies involved. Joint use of the facilities at Union Station with transportation in control as the dominant user we believe is the appropriate disposition of Union Station. In light of this, we are in the process of reviewing earlier proposed legislation on the use and control of the facilities at the station and will develop with the Congress a new proposal for the project.



---

Bruce M. Flohr  
Deputy Federal Railroad Administrator

February 25, 1977



ASSISTANT SECRETARY  
FOR ADMINISTRATION

OFFICE OF THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

March 9, 1977

Mr. Henry Eschwege  
Director  
Community and Economic Development Division  
U. S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your letter of February 11, 1977, requesting comments on the General Accounting Office draft report entitled, "The National Visitor Center--Its Problems and Alternatives." We have reviewed the report in detail and prepared a Department of Transportation reply.

Two copies of the reply are enclosed.

Sincerely,

*William S. Heffelfinger*  
William S. Heffelfinger

Enclosures



OFFICIALS RESPONSIBLE FOR ADMINISTERING  
ACTIVITIES DISCUSSED IN THIS REPORT

Tenure of office  
From                      To

DEPARTMENT OF THE INTERIOR

**SECRETARY OF THE INTERIOR:**

Cecil D. Andrus	Jan. 1977	Present
Thomas S. Kleppe	Oct. 1975	Jan. 1977
Kent Frizzell (acting)	July 1975	Oct. 1975
Stanley K. Hathaway	June 1975	July 1975
Kent Frizzell (acting)	May 1975	June 1975
Rogers C. B. Morton	Jan. 1971	May 1975
Fred J. Russell (acting)	Nov. 1970	Jan. 1971
Walter J. Hickel	Jan. 1969	Nov. 1970
Stewart L. Udall	Jan. 1961	Jan. 1969

**ASSISTANT SECRETARY, FISH AND WILDLIFE AND PARKS:**

Vacant	Jan. 1977	Present
Nathaniel P. Reed	May 1977	Jan. 1977
Cleo F. Layton (acting)	Nov. 1970	May 1971
Leslie L. Glasgow	Mar. 1969	Nov. 1970
Cleo F. Layton (acting)	Feb. 1969	Mar. 1969
Clarence F. Pautzke	Oct. 1968	Feb. 1969
Clarence F. Pautzke (acting)	Aug. 1968	Oct. 1968
Stanley Cain	May 1965	Aug. 1968

**DIRECTOR, NATIONAL PARK SERVICE:**

Gary Everhart	Jan. 1975	Present
Ronald Walker	Jan. 1973	Jan. 1975
George Hartzog	1968	Jan. 1973

DEPARTMENT OF TRANSPORTATION

**SECRETARY OF TRANSPORTATION:**

Brock Adams	Jan. 1977	Present
William T. Coleman, Jr.	Mar. 1975	Jan. 1977
John W. Barnum (acting)	Feb. 1975	Mar. 1975
Claude S. Brinegar	Feb. 1973	Feb. 1975
John A. Volpe	Jan. 1969	Feb. 1973
Alan S. Boyd	Jan. 1967	Jan. 1969

NATIONAL CAPITAL PLANNING COMMISSION

**EXECUTIVE DIRECTOR:**

Charles H. Conrad	1965	Present
-------------------	------	---------