



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

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FEBRUARY 5, 1980

B-196966

The Honorable John L. Burton
Chairman, Subcommittee on Government
Activities and Transportation
Committee on Government Operations
House of Representatives

HSE 01503



Subject: GSA's Actions to Acquire Leased Space for
the Western Area Power Administration
(LCD-80-33)

Dear Mr. Chairman:

On June 6, 1979, you asked us to review the actions taken by the General Services Administration (GSA) in obtaining office and other space for the Western Area Power Administration's (WAPA's) headquarters in Denver, Colorado. You specifically asked us to determine (1) what additional lease and remodeling costs, if any, would be incurred by locating WAPA headquarters downtown rather than near the Denver Federal Center, (2) the impact on training and research and development missions if WAPA is moved to the downtown area, and (3) whether GSA followed policy, statutory, and regulatory requirements in handling WAPA's request for space. DLG 0315

During our review, we looked at GSA region 8 files and discussed the actions and progress on WAPA's request with GSA regional officials and WAPA officials who were directly involved in the space request. DLG 03812

In September 1979, GSA's central office initiated a reevaluation of the steps taken to provide space for WAPA. As suggested in your October 29, 1979, letter, we waited for the outcome of this reevaluation so that we could include these new developments in our report.

GSA has not yet decided where WAPA will be located. Therefore we are unable to determine what costs will be attributable to WAPA's new location. If WAPA is moved to downtown Denver it will be farther from the Bureau of Reclamation. We do not believe this move will seriously affect WAPA's ability to carry out its mission. It appears that GSA's handling of WAPA's request for space was generally in compliance with policy, statutory, and regulatory requirements.

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BACKGROUND

WAPA was organized in 1977 within the Department of Energy to take over the transmission and sale of electric power generated by the Bureau of Reclamation water projects. Its area of coverage includes much of the Western United States. It has been staffed primarily by transfers from the Bureau of Reclamation.

To accommodate the above-mentioned mission, the Department of Energy approved the location of a headquarters office in the Denver area. In March 1978, WAPA requested GSA's region 8 in Denver to provide it with about 38,000 square feet of space near the Bureau of Reclamation offices located at the Denver Federal Center, a 1-square-mile compound about 10 miles west of downtown Denver.

In a May 1978 letter to GSA's central office, region 8 recommended approval of WAPA's request for a location near the Denver Federal Center. The central office decided WAPA should be located in the downtown Denver area to comply with the President's urban policy which was announced in March 1978 and formally instituted by Executive Order 12072 in August 1978. The central office informed Department of Energy officials of its decision in June 1978. WAPA and the Department of Energy appealed the decision to both GSA and the Office of Management and Budget (OMB). OMB originally agreed with WAPA and recommended a waiver. But then OMB reversed itself and the decision to move WAPA downtown was upheld.

These appeals were not resolved until May 10, 1979. During this period, WAPA used space made available to it by the Solar Energy Research Institute and by GSA in scattered locations near the Denver Federal Center.

In May 1979, GSA advertised in the Denver newspapers its desire to obtain about 64,850 square feet of space in the central business area. Several interested parties responded, and GSA followed up with a request for offers on July 13, 1979. Meanwhile, WAPA increased its space request to about 70,000 square feet. The July solicitation was for 70,780 square feet, the latest request by WAPA.

As a result of the solicitation, GSA received two offers and recommended these buildings for WAPA's use. After WAPA toured the buildings, GSA asked WAPA for its preference. One offer was withdrawn, leaving only an offer of property located at 18th and Pearl Streets. WAPA never formally advised GSA that it had accepted or rejected the 18th and Pearl Streets location.

CURRENT STATUS

On September 20, 1979, the administrator for region 8 wrote to the central office recommending acceptance of the 18th and Pearl Streets property. At this point, GSA's central office decided to evaluate the entire procedure for obtaining space for WAPA. In early October, central office representatives visited Denver, examined the space WAPA is currently occupying, toured the 18th and Pearl Streets property, and discussed the matter with WAPA and GSA region 8 representatives.

Near the end of October, central office representatives met with Department of Energy representatives. As a result of this meeting, GSA and Department of Energy representatives agreed to a long-range plan that proposed to keep WAPA in its present suburban location until consolidated space to accommodate future expansion could be made available. The Administrator of General Services approved this plan and advised the administrator for region 8 of his approval on November 9, 1979.

Under the approved plan, GSA will solicit offers from the Denver central business area and the area where WAPA is now located. GSA plans to obtain sufficient space to allow for future WAPA expansion by initially locating other agencies with WAPA. Because of its cost, this plan will require the submission of a prospectus for approval by appropriate congressional committees.

In December WAPA submitted revised space requirements to GSA region 8, and GSA prepared a draft prospectus to obtain this space for WAPA. The draft prospectus was submitted for central office review in January 1980. GSA is now negotiating for temporary space for WAPA in Golden, Colorado. GSA plans to locate all of WAPA in one building by late 1980 or early 1981.

A chronological summary of key events occurring since WAPA's initial request for space is attached as enclosure I.

COST COMPARISON

Firm data on costs of locating WAPA in the Denver downtown area or in the vicinity of the Denver Federal Center is not now available. A comparison of costs of locating WAPA in the two areas will be made about March 1980 after GSA receives offers on the two areas. GSA's July 1979 solicitation for space in downtown Denver resulted in offers from \$9.00 to \$9.39 per square foot, while an August 1979 market survey of space near the Denver Federal Center found square foot prices

ranging from \$8.25 to \$10.75. However, these costs are not for comparable space requirements. The planned solicitation in 1980 will be based on identical requirements, including space footage, special purpose space, parking needs, and so forth.

IMPACT ON MISSIONS OF WAPA

WAPA claims that it needs to be located close to the Bureau (located at the Denver Federal Center) primarily because numerous contacts are required between the two agencies. Further, in its May 1979 request, WAPA also cited the need for a 5-acre outdoor training area, a heliport near headquarters, and parking for customers, visitors, and employees. Obtaining space for the training area and the heliport would be difficult, if not impossible, in downtown Denver. In selecting a location, GSA is supposed to consider the availability of customer and visitor parking. WAPA deleted the 5-acre training site and the heliport from its latest space request. However, WAPA claims it still needs the training site.

Sufficient data was not available for us to prove the validity or significance of these requirements and the impact on WAPA's efficiency of operations. However, assuming WAPA's requirements are valid, some additional costs and reduced efficiency will result if the WAPA headquarters and other facilities are not located close to the Bureau facilities at the Denver Federal Center. But WAPA's efficiency will undoubtedly benefit when all its employees are in one location.

GSA regional officials said they would attempt to provide the 5-acre training site at the Denver Federal Center or another appropriate location. There is a heliport available for WAPA's use at the Federal Center. Because space is not available for WAPA's offices at the Denver Federal Center, WAPA will have to be located on the fringes of the Federal Center. Given this constraint, it is doubtful that the selection of a downtown site will seriously affect WAPA's operations.

A location in the vicinity of the Denver Federal Center would only entail a somewhat shorter travel time between WAPA and the Bureau compared to a downtown location. Of its present locations, WAPA prefers the site in Golden, Colorado, about 3.8 miles from the Bureau. A downtown site would be about 10 miles from the Bureau. Driving time from downtown would only be slightly longer. Enclosure II shows the present locations of WAPA's offices, the Bureau of Reclamation, and the Denver central business area.

GSA PROCEDURES AND REGULATIONS

Section 210(e) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 490), states:

"Notwithstanding any other provision of law, the Administrator is authorized, in accordance with policies and directives prescribed by the President under section 205(a) and after consultation with the heads of the executive agencies affected, to assign and reassign space of all executive agencies in Government-owned and leased buildings in and outside the District of Columbia upon a determination by the Administrator that such assignment or reassignment is advantageous to the Government in terms of economy, efficiency, or national security."

Procedures for assigning space to Federal agencies are contained in chapter 2, GSA Handbook PBS P 700.2A, dated December 6, 1976. The handbook is intended to complement the policies contained in the Federal Property Management Regulations, which are prescribed by the Administrator of General Services under authority of the Federal Property and Administrative Services Act of 1949, as amended. The handbook contains guidelines on satisfying a request for space. The guidelines describe the various actions to be taken in handling a request when leased space is to be provided.

The President announced his urban policy in March 1978, and Executive Order 12072 was issued in August 1978. As a result of the President's urban policy the central office revised these procedures somewhat in April 1978, shortly after WAPA's initial request for space. The revision required central office approval of space assignments outside of central business areas--a decision which was previously left to the region. 1/

New regulations were proposed on March 29, 1979, to implement Executive Order 12072. GSA believes the Executive order requires a significant shift in emphasis on GSA's facility siting policies. GSA officials said that the regulations were being rewritten because of numerous comments received from other Federal agencies.

We reviewed the actions taken by region 8 in handling WAPA's request for space in light of the handbook's requirements and guidelines, the central office's instruction of

1/Authority was redelegated to the regional administrators as of July 17, 1979.

April 1978, and the new regulations proposed in March 1979. We found no deviation from those procedures and policies.

EMPHASIS ON DOWNTOWN MOVES
MAY INCREASE COSTS

In reviewing the actions GSA has taken in this particular instance, it appears that a more forceful effort is being made to place Federal agencies in downtown areas under Executive Order 12072, than under the preceding Executive order (No. 11512, dated February 27, 1970) which dealt with the same subject. Apparently, GSA's policy under Executive Order 11512 was to give considerable weight to a requesting agency's preference for siting. GSA would then obtain space within the requested area using competitive procurement methods. However, GSA has proposed new regulations (published in the Federal Register on March 29, 1979) to implement Executive Order 12072. These regulations provide for a waiver of a central business area site only if the mission of the agency will be impaired, if a lease commitment already exists, or if local officials are opposed to the move.

One result of this greater emphasis on moving agencies to downtown sites could be that overall costs to the Government may be higher because moving an agency into a downtown location could increase operating costs. The selection of a downtown site could result in a higher lease cost, even if obtained competitively, where the downtown area is growing (such as in Denver) and has a high demand for space by the private sector.

COST COMPARISON TO BE REQUIRED

GSA is planning to change its space management regulations and require a comparison of the cost to locate an agency in a central business area with the cost to locate an agency elsewhere. Under the proposed regulations, if the cost of the central business location is "more than 15 percent higher" than an alternative location, additional study and justification of the move are needed. If the cost is "no more than 15 percent higher," the relocation can be made with no further justification. GSA has instructed region 8 to make a cost comparison before deciding where WAPA is to be located.

CONCLUSIONS

GSA has been attempting to acquire space for WAPA while at the same time complying with the requirements of Executive Order 12072. This action may result in WAPA being moved from its present location, near the Denver Federal Center, to the

central business area of Denver. Such a relocation might reduce WAPA's operating efficiency because WAPA will be located farther from the Bureau with which it has regular dealings. However, it does not appear that such a move will have a major impact on WAPA's ability to carry out its mission. How the move might affect WAPA's operating costs is uncertain because these costs will be influenced by WAPA's exact location which has not yet been determined. GSA's efforts to acquire space for WAPA have generally been in compliance with existing procedures and regulations.

GSA officials told us they were in the process of revising the space management regulations which will be used to implement Executive Order 12072. These officials also said they were incorporating agency comments and were planning to include a requirement for a cost comparison.

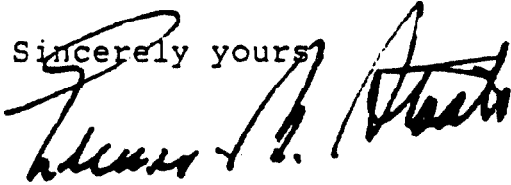
In another report (LCD-80-26, Dec. 6, 1979) concerning space for Federal agencies in Fort Smith, Arkansas, we concluded that a cost comparison should be used, along with other factors, to decide where agencies should be located. We recommended, in that report, that GSA's revised space management regulations include criteria on the comparative cost effectiveness of relocating Federal agencies to central business areas or other alternatives which can satisfy the agencies' missions.

We believe the conclusions and recommendation are equally applicable to the situation described in this report. If complied with and applied to WAPA's space request, this cost comparison should provide a sound basis for selecting an appropriate location for WAPA.

AGENCY COMMENTS

We discussed this report with representatives from region 8, WAPA, and GSA's Office of Space Management. None of these representatives seriously objected to any of the information contained in this report.

As arranged with your office, we are sending copies of this report to the Administrator of General Services; the Director, Office of Management and Budget; the Secretary of Energy; and the Chairman, Senate Committee on Governmental Affairs. Copies will also be available to other interested parties who request them.

Sincerely yours,


Comptroller General
of the United States

Enclosures - 2

WAPA REQUEST FOR HEADQUARTERS SPACECHRONOLOGY OF EVENTS

<u>Date</u>	<u>Actions Taken</u>
March 22, 1978	GSA received SF-81 for 38,000 square feet of space to house 220 employees in Lakewood or Golden, Colorado. WAPA included a letter of justification for an office location outside the central business area (CBA).
April 6, 1978	Space Management Division, region 8, sent a letter to the Assistant Commissioner for Space Management requesting concurrence of non-CBA location for WAPA.
April 25, 1978	The Commissioner, Public Buildings Service (PBS), issued policy memorandum directing that all Federal space requirements be located in CBA unless a specific exception is granted by the Commissioner.
May 2, 1978	The Regional Commissioner, PBS, requested an exception to CBA policy for WAPA based on agency justification that CBA location "would adversely affect the efficient performance of WAPA mission and programs" by separating it from close proximity to the Bureau of Reclamation functions housed at the Denver Federal Center.
June 8, 1978	The Administrator of General Services sent a letter requesting the Secretary of Energy to support and confirm a CBA location for WAPA.
June 26, 1978	The Deputy Secretary of Energy wrote to the Administrator of General Services saying a non-CBA location was necessary and justified for WAPA. He based his opinion in part on higher leased space cost in CBA.

August 3, 1978 The Administrator of General Services wrote the Secretary of Energy informing him that leased space was available in CBA at "prices commensurate with those for outlying areas" and that he had directed region 8 to proceed to acquire suitable downtown space for WAPA.

August 22, 1978 The administrator for region 8 wrote the Administrator of General Services informing him that WAPA would submit a revised SF-81 for 57,000 square feet to region 8. The administrator for region 8 committed himself to pursuing a location in the CBA.

October 31, 1978 The Deputy Secretary of Energy wrote the Administrator of General Services in response to his August 3, 1978, letter, asking him to reconsider his decision to locate WAPA in the CBA.

November 1, 1978 WAPA submitted a revised SF-81 for 56,150 square feet of space to house 320 employees. The requested delineated area is Golden, Colorado. The request specified that two separate space assignments of 47,000 and 9,000 square feet each could fulfill WAPA requirements. The 9,000 square feet will house the Denver area office which can be split or collocated with the main office.

November 3, 1978 Region 8 requested WAPA to provide more detailed justification for administrative support space.

November 24, 1978 The Acting Administrator for General Services wrote the Deputy Secretary of Energy, reaffirming GSA's decision to locate WAPA in the Denver CBA.

December 1, 1978 Region 8 received additional information from WAPA which it had requested on November 3, 1978.

December 15, 1978 The administrator for region 8 sent a letter to the Administrator of WAPA advising him that WAPA's request was high priority but that funds were not available for leasing and the region would again review space in current inventory and assign it if available.

December 22, 1978 The Deputy Secretary of Energy wrote a formal appeal of CBA decision to the Director, OMB.

January 9, 1979 GSA Assistant Commissioner, PBS, telecon to Commissioner, PBS, region 8, directed region 8 to take over the leasing of approximately 27,500 square feet of space presently being used by WAPA at Denver West and to acquire some 20,000 square feet at 603 Miller Court, Lakewood, Colorado, as temporary housing pending the acquisition of permanent housing in the Denver CBA.

January 11, 1979 WAPA submitted requirements to region 8 to acquire the temporary space.

February 1, 1979 GSA acquired 22,445 square feet for WAPA at Denver West.

February 8, 1979 GSA acquired 21,175 square feet for WAPA at 603 Miller Court.

March 12, 1979 OMB approved WAPA's location in the vicinity of the Denver Federal Center.

April 1, 1979 GSA acquired an additional 5,040 square feet for WAPA at Denver West.

May 10, 1979 OMB reversed its March 12, 1979, approval for a location of WAPA near the Denver Federal Center and directed a downtown location.

May 11, 1979 Region 8 sent a letter to WAPA informing it that GSA was proceeding to acquire necessary space in the Denver CBA.

May 18, 1979 WAPA revised requirements for permanent location to 68,325 square feet, plus a 5-acre training site and heliport.

May 21, 1979 Region 8 assigned an additional 8,795 square feet at 603 Miller Court. Total assignment at this location is 29,970 square feet.

May 25, 1979 Space Management Division, region 8, sent a letter to WAPA outlining approved amount of space (53,634 square feet) and explaining disapprovals.

June 1, 1979 GSA sent schedule A of Solicitation for Offer to WAPA for review and approval prior to issuance. GSA released 5,040 square feet at Denver West. Total assignment at this location is 22,445 square feet.

June 5, 1979 GSA received comments to schedule A of Solicitation for Offer from WAPA.

July 13, 1979 Region 8 mailed solicitations for offer of space to prospective bidders.

August 21, 1979 WAPA toured two buildings in the downtown area for its acceptance of one of these locations.

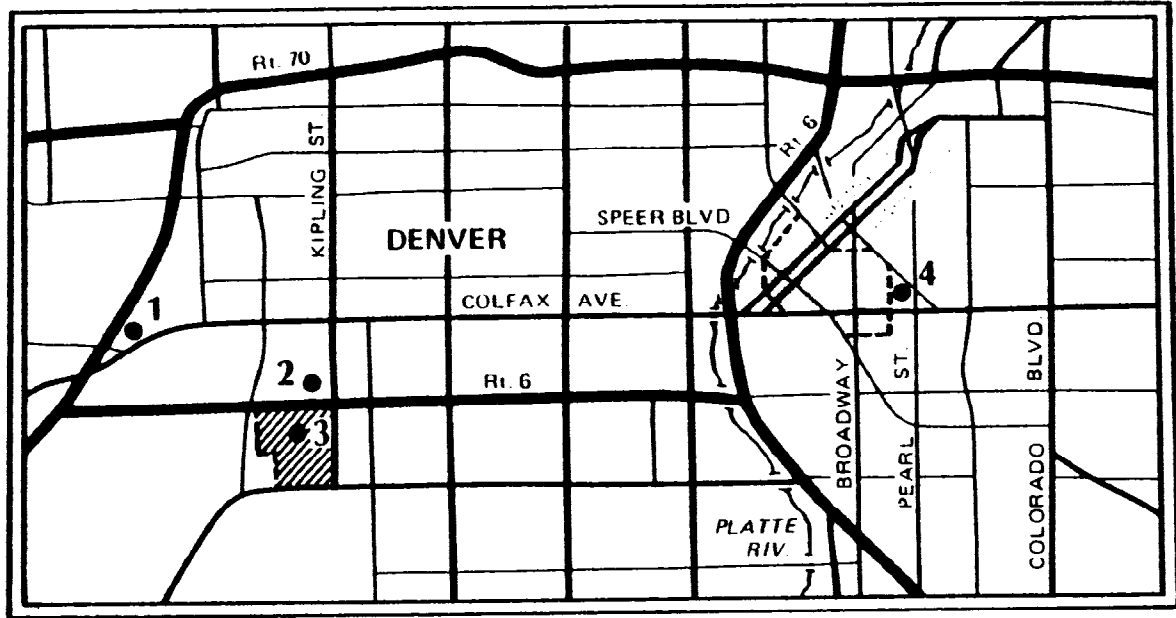
August 22, 1979 Region 8 sent a letter to WAPA requesting advice as to which building was more suitable for its operations.

August 29, 1979 WAPA sent a letter to region 8 requesting data on cost of space in downtown Denver vs. cost of space near the Denver Federal Center.

August 31, 1979 Region 8 informed WAPA of the August market survey results, the range of competitive bids on a downtown location, and its conclusion that downtown space would be the least costly. It also told WAPA that 950 Broadway space had been withdrawn by the owners.

- September 17, 1979 Region 8 sent a letter to WAPA requesting data on places of residence of WAPA employees to determine impact of move on employees in vehicle miles and impact on employees of low to moderate income.
- September 20, 1979 The administrator for region 8 requested a decision on CBA policy in providing space for WAPA requirements in Denver and recommended that space at 18th and Pearl Streets be obtained for WAPA.
- October 1-2, 1979 Central office staff visited region 8 to review factors surrounding WAPA request and GSA's determination.
- October 25, 1979 GSA and Department of Energy representatives met to arrive at an agreement on how space would be provided for WAPA.
- November 9, 1979 The Commissioner, PBS, notified the administrator for region 8 of the decision regarding space for WAPA and outlined the requirement for meeting this plan.
- November 30, 1979 WAPA furnished updated space requirements through fiscal year 1981 to region 8.

PRESENT AND PROPOSED WAPA OFFICE LOCATIONS IN DENVER, COLORADO



9

Legend

- 1 Denver West
- 2 Miller Court
- 3 Bureau of Reclamation
- 4 18th and Pearl Streets Site
- Central Business Area
- ▨ Denver Federal Center

	Mileage	Driving Time
1 to 3	3.8	14 min.
2 to 3	1.5	6 min.
4 to 3	10.1	19 min.