

DOCUMENT RESUME

*Released*  
*2/14/77*

01158 - [A0751187] (~~Restricted~~)

[GSA's Cost Analyses for Relocation of Federal Agencies to a Leased Building at Buzzard Point. LCD-77-317; B-95136. February 7, 1977. 4 pp. + enclosure (2 pp.).

Report to Rep. John D. Dingell, Chairman, House Committee on Interstate and Foreign Commerce: Energy and Power Subcommittee; by Robert F. Keller, Deputy Comptroller General.

Issue Area: Facilities and Material Management: Building, Buying, or Leasing Federal Facilities and Equipment (706).

Contact: Logistics and Communications Div.

Budget Function: General Government: General Property and Records Management (804).

Organization Concerned: General Services Administration; Federal Energy Administration.

Congressional Relevance: House Committee on Interstate and Foreign Commerce: Energy and Power Subcommittee.

Authority: Executive Order 11512.

The General Services Administration's economic analyses of alternatives or combinations of alternatives concerning the use of a leased building at Buzzard Point in Washington, D.C., were reviewed. In considering potential tenants for the building, GSA compared the first year costs or savings to be incurred in moving various Federal offices to the building, including: leases to be cancelled on vacated buildings, lease costs avoided by use of the Buzzard Point building, and space modifications in the building and in vacated buildings. Findings/Conclusions: The analysis prepared by GSA contained several minor errors which did not materially affect either estimated net costs or savings. The alternative which resulted in the highest net savings (\$584,000) involved certain offices of the Federal Energy Administration (FEA), the FBI, and the Energy Research and Development Administration. Major factors influencing the ranking of the nine alternatives included: an estimated \$1.1 million annual savings based on nonrenewal of a lease on a building occupied by FEA, relative low backfill costs for three alternatives, and high costs of special alterations. In several instances, the space assigned to an agency in a building has changed since the analysis was prepared. (RRS)

01158



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

February 7, 1977

B-95136

**RESTRICTED** — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

The Honorable John D. Dingell  
Chairman, Subcommittee on Energy  
and Power  
Committee on Interstate and  
Foreign Commerce  
House of Representatives

*Released*  
*2/14/77*

Dear Mr. Chairman:

In your letter of December 6, 1976, you requested us to review the General Services Administration's economic analyses of various alternatives or combinations concerning the use of the leased building at Buzzard Point in Washington, D.C. Your office requested a report by the end of January 1977. The agency did not make its analyses available to us until January 4, 1977. In view of the limited time available, our review of the analyses was restricted primarily to interviewing agency officials, testing the accuracy of calculations, and identifying the major cost factors influencing the ranking of alternatives. The question about the validity of the lease award will be discussed in a separate report.

We noted that the analyses prepared by General Services contained several minor errors. There were calculation and typing errors and also variances between data shown in the analyses and the space assignment records. These errors and variances did not materially affect either the estimated net costs or savings for the nine alternatives considered by General Services or the overall ranking of these alternatives as shown in the enclosure.

BACKGROUND

In March 1974, the Securities and Exchange Commission requested space from General Services to consolidate its operations into one or two closely located buildings. At General Services' request, the Committees on Public Works, in October 1974, approved a prospectus for acquiring space for the Commission in Washington, D.C., through a 5-year lease at an estimated annual rental of \$2.8 million.

Although the Commission on December 9, 1974, did concur in a General Services solicitation for offers to procure 460,000 square feet of space in Washington, D.C., for full consolidation of the Commission or 263,000 square feet within six blocks of 500 North Capitol Streets, NW., for partial consolidation, it wanted General Services to lease space in a building at 400 North Capitol Street, NW. General Services considered the rental offer for that building to be excessive and also in excess of the \$2.8 million annual rental in the approved prospectus.

On June 3, 1975, General Services awarded a 5-year lease, with three 5-year renewal periods, to the Southwest Joint Venture, a partnership, for space in a building to be located at Buzzard Point. The annual rental was \$2.7 million. However, the Government was to have free use and occupancy of the office space and garage space for the last 4 months and 12 months, respectively, of the 5-year lease term. The term was later established as August 15, 1976, to August 14, 1981. This resulted in an effective annual rental of about \$2.5 million, or about \$210,000 a month.

General Services asked the Commission on June 3, 1975, to concur in the Buzzard Point location, but the Commission appealed the space assignment decision to the Office of Management and Budget. On January 3, 1976, the Office of Management and Budget ruled the Commission did not have to relocate at Buzzard Point because General Services had not adhered to the right to appeal procedures required and intended by Executive Order 11512.

As a result, General Services had to find another tenant. It offered the building to the Agency for International Development, the Treasury Department, the Department of Agriculture, and the Federal Bureau of Investigation. Only the Federal Bureau of Investigation agreed to accept space in the building. The building still has not been occupied, although it was available for the Government's occupancy on August 15, 1976. General Services negotiated an agreement with the lessor to have the rent-free period transferred from the end to the beginning of the lease. The inability of the Government to occupy the building when it became available decreased the period of effective occupancy provided in the lease. The effective rental for the 4-months ended December 15, 1976, was about \$840,000.

On October 29, 1976, General Services using assignment authority in Executive Order 11512, ordered the Federal Energy Administration to move some of its offices to the Buzzard Point building. On December 30, 1976, the Federal Energy Administration appealed this decision to the Office of Management and Budget. The Office is currently considering the matter.

### ECONOMIC ANALYSIS

In considering potential tenants for the Buzzard Point building, General Services compared the first year costs (or savings) it would incur in moving various Federal offices there. Major cost factors considered were:

- Leases to be canceled on vacated buildings.
- Lease cost avoided by filling expansion requirements at Buzzard Point rather than leasing new space.
- Space modifications in the Buzzard Point building to meet occupant agencies' special requirements, such as computer installations.
- Space modifications in vacated buildings to make them ready for new occupants (known as "backfill").

Costs for moving furniture, files, and similar items were not included because all Federal offices under consideration are located in the Washington metropolitan area and General Services assumed that the costs to move them would not vary greatly. Also, costs associated with the efficiency of consolidated agency operations, building location, employee morale, or subsidized employee parking were not included in the analyses. We recognize that it may not be possible to quantify some of these factors.

The General Services analyses considered nine offices or combinations of offices. The offices generally were considered because the agencies had either requested new space or asked General Services specifically for space in the Buzzard Point building. Results of the analyses ranged from a net savings of about \$584,000 to a net cost of about \$4,236,000 (see enclosure).

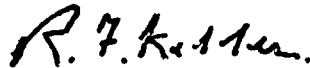
The alternative which was estimated to save about \$584,000 included certain offices of the Federal Energy Administration, the Federal Bureau of Investigation, and the Energy Research and Development Administration.

Major factors which influenced the ranking of the nine alternatives were:

- Estimated \$1.1 million annual savings based on the assumption that the lease is not renewed for a building at 2000 M Street, NW., which is occupied by the Federal Energy Administration. This savings affected alternatives 1, 2, and 3.
- Relatively low backfill costs for alternatives 1, 2, and 3.
- High costs of special alterations, such as \$700,000 for a printing plant for alternatives 7 and 9, and \$1.1 million for a computer facility for alternative 8.

As stated previously the analyses contained calculation and typing errors. In addition, in several instances the space assigned to an agency in a building had changed since the analyses were prepared. The General Services space assignment records are periodically updated and show only the current assigned space. Therefore, the assigned space shown on the analyses did not always agree with current space assignment records.

Sincerely yours,



DEPUTY Comptroller General  
of the United States

Enclosure

ESTIMATED FIRST YEAR NET COSTS  
OR SAVINGS IN RELOCATING VARIOUS  
FEDERAL OFFICES TO BUZZARD POINT

<u>Alternatives</u>	<u>Number of buildings now occupied</u>		<u>Estimated first year net cost or savings(- to the Government</u>
	<u>Government- owned</u>	<u>Leased</u>	
1. Federal Energy Administration (partial consolidation)-- Federal Bureau of Investigation --Energy Research and Development Administration	1	5	<u>a, b/</u> \$ - 584,445
2. Federal Energy Administration (partial consolidation)-- Federal Bureau of Investigation --Department of Agriculture	3	5	<u>a/</u> - 9,710
3. Federal Energy Administration (total consolidation)	2	3	<u>a/</u> 108,625
4. Federal Trade Commission-- Federal Bureau of Investigation --Department of Agriculture	3	6	<u>c/</u> 334,055
5. Federal Bureau of Investigation --Law Enforcement Assistance Administration--Department of Agriculture	3	4	<u>d/</u> 1,492,235

<u>Alternatives</u>	<u>Number of buildings now occupied</u>		<u>Estimated first year net cost or savings(-) to the Government</u>
	<u>Government- owned</u>	<u>Leased</u>	
6. Agency for International Development	-	7	<u>d/</u> \$1,535,345
7. General Services Administration, Region 3 (partial consolidation)	1	2	<u>e/</u> 2,311,065
8. Department of the Treasury	3	10	<u>e/</u> 2,893,295
9. General Services Administration, Region 3 (total consolidation)	1	2	<u>e/</u> 4,235,835

a/ Relatively low backfill costs were estimated for alternatives 1, 2, and 3 because space in the old Post Office building, which is Government-owned, is scheduled to be renovated and a lease for a building at 2000 M Street, NW., Washington, D.C., will not be renewed. Also, there is an estimated \$1.1 million annual savings assuming this lease is not renewed.

b/ Analyses assume that there will be an annual savings of about \$400,000 for alternative 1, if space needed for expansion requirements of Energy Research and Development Administration is not leased.

c/ For alternative 4, analyses assume that there will be an annual savings of about \$1.2 million if space needed for Federal Trade Commission is not leased.

d/ Our calculation shows estimated net cost of \$1,497,235 for alternative 5 and \$1,491,170 for alternative 6.

e/ Relatively high costs of space modifications to the Buzzard Point building for special requirements of occupant agencies affect net costs of alternatives 7, 8, and 9.