

REPORT BY THE

Comptroller General

OF THE UNITED STATES

9987

Proposed Project To Renovate Nashville's Historic Train Station Building Needs To Be Reevaluated

The Senate Committee on Environment and Public Works and the House Committee on Public Works and Transportation should consider requesting the General Services Administration to revise its prospectus relating to the renovation of Nashville's historic train station building so that it accurately and completely discusses all pertinent economic and other relevant issues. The revised prospectus would permit the Committees to reevaluate the proposed project.

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APRIL 27, 1979





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

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The Honorable Jennings Randolph
Chairman, Committee on Environment
and Public Works
United States Senate

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The Honorable Harold T. Johnson
Chairman, Committee on Public
Works and Transportation
House of Representatives

HSE 03100

This report discusses the need to reevaluate the General Services Administration's proposed project to renovate a historic train station building in Nashville, Tennessee.

The report recommends that your Committees consider requesting the General Services Administration to develop and submit a revised prospectus that accurately and completely discusses all the pertinent economic and other issues relating to the proposed project.

Copies of the report are being sent to the Administrator of General Services; the Director, Office of Management and Budget; and other interested parties.

Comptroller General
of the United States



COMPTROLLER GENERAL'S
REPORT TO THE
HOUSE COMMITTEE ON PUBLIC
WORKS AND TRANSPORTATION
AND THE SENATE COMMITTEE
ON ENVIRONMENT AND PUBLIC
WORKS

PROPOSED PROJECT TO RENOVATE
NASHVILLE'S HISTORIC TRAIN
STATION BUILDING NEEDS TO BE
REEVALUATED

D I G E S T

The Public Buildings Cooperative Use Act of 1976 directs the Administrator of General Services to consider historically, architecturally, or culturally significant buildings as the primary alternative for meeting the space needs of the Government. General Services, however, appears to be operating on the assumption that the acquisition of these structures takes precedence over the need for additional federally owned space in the areas where the structures are located. (See pp. 4 and 5.)

In a prior report (~~LCD 79-302, Jan. 25, 1979~~), GAO ~~recommended~~ ^{has} recommended that the Congress clarify its intent regarding ~~General Services' use of the act.~~ *This directive* The report also observed that perhaps the General Services should modify its prospectus procedure for these types of structures to enable the appropriate committees to base their decisions solely on the merits of the historic projects. (See pp. 2 and 3.) Changing the procedure in this manner would require statutory amendments.

Both the January report and this report are products of a study GAO is making of General Services' activities to implement the Public Buildings Cooperative Use Act of 1976. The proposed Nashville project was reviewed because it is the first structure planned for acquisition and renovation pursuant to the act. (See p. 3.) GAO believes the congressional committees, in approving the prospectus for the Nashville project, did not have complete and reliable information on several important issues concerning the merits of the proposed renovation.

The approved prospectus for the Nashville project concluded that renovation of the train station building, at an estimated cost of \$7.152 million, was the best way (compared to leasing or new construction) to acquire additional Federal space in Nashville. However, GAO found that General Services' efforts stemmed from its desire to acquire the train station building, rather than the need for additional space.

The General Services Administration, in commenting on the January report, acknowledged that factors other than the need for space governed its actions in acquiring the train station building. (See pp. 4 and 5.)

GAO found that the other two alternatives cited in the prospectus--new construction and leasing--were never realistic, given the space situation in Nashville. In the absence of its desire to acquire and renovate the train station building, it is unlikely that General Services would have ever attempted to seek congressional approval for the other alternatives cited in the prospectus.

In commenting on GAO's January report, the General Services Administration agreed with GAO's observations that (1) comparing the renovation of historic structures to new construction and leasing may not be realistic and (2) perhaps the prospectuses being sent to the Congress for these type projects should only address the costs and benefits of the historic projects. (See pp. 5 to 7.)

In concentrating its analysis of the approved prospectus on the proposed acquisition and renovation of the train station building, GAO found that the prospectus overestimated the amount of occupiable space in the train station building, overstated the number of employees that will be housed, underestimated the costs of renovation, and claimed certain benefits that may not be realized. (See pp. 8 to 14.)

For example, the approved prospectus states that renovating the building's 90,000 gross square feet of area will result in about 72,700 square feet of occupiable space-- 47,700 square feet of office space housing 163 Federal employees and 25,000 square feet of space for leasing to commercial activities. However, it appears, based on General Services' approved housing plan, that the station will house only 125 employees in about 23,000 square feet of office space. Apparently only about 15,000 square feet of space will be available for commercial leasing. (See pp. 8 and 9.)

GAO found that the economic analyses supporting the prospectus contained errors, omissions, and unsupported figures that distorted the estimated cost of the proposed renovation project. (See pp. 9 to 11.)

The approved prospectus showed a \$3.8 million reduction in the estimated \$15.4 million present value cost of the renovation project from leasing space in the train station building to commercial activities. GAO found, however, that the General Services' estimate of potential leasing income is predicated on unrealistic estimates of the amount of space available for leasing and the rate that can be charged for the space. Further, because of the location of the train station building and the limited amount of commercial space involved, it may not be practical to lease the space. (See pp. 11 to 13.)

GAO found several other factors that it believes could affect the feasibility and prudence of acquiring and renovating the train station building:

--Health problems resulting from bird droppings that have caused the station building to be closed, and which will require a decontamination effort before it can be made safe for habitation. (See pp. 15 and 16.)

--The failure of the approved prospectus to inform the Congress concerning the historical importance of the train shed adjacent to the station building could indirectly contribute to the demolition of the train shed, considered by some experts to be architecturally more significant than the station building. (See pp. 16 and 17.)

--General Services has not notified the appropriate Committees that it plans to fund the cost of the renovation project by using fiscal year 1980 funds designated for minor (under \$500,000 each) repair and alteration projects. (See pp. 17 and 18.)

As stated in its January report, GAO is not opposed to the Federal Government trying to preserve our architectural heritage through the acquisition and renovation of significant historical structures. However, GAO believes it is imperative that the Congress have complete and accurate information to evaluate these projects.

GAO found the information (prospectus) provided the Congress for the Nashville train station building to be incomplete and inaccurate. In GAO's opinion, the inadequacies in the prospectus, along with other factors not presented to the Congress, could affect the feasibility and prudence of the proposed project. GAO believes the Congress should have the opportunity to reevaluate this project on the basis of the best available information. Therefore, the Public Works Committees of the House and Senate should consider requesting the Administrator of General Services to prepare and submit a revised prospectus for the proposed Nashville train station building that accurately and completely informs the Congress of all the pertinent economic and other issues relating to the proposed project. (See pp. 19 and 20.)

request GSA
P. 19

In commenting on a draft of this report, General Services stated that the prospectus

clearly describes the scope of the project and the associated costs and, therefore, there is no need to submit a revised prospectus to the Committees as GAO recommends. General Services then states, however, that its position on this matter should not be interpreted to mean that the procedures and analyses used in developing the Nashville project should not be revised for future projects of a similar nature. (See app. I.)

The Administrator of General Services' specific comments are presented and evaluated in the appropriate sections of the report. However, the comments do not address many of the issues discussed in the report and GAO believes the need for the Committees to have the benefit of a revised prospectus still warrants consideration.



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ABBREVIATIONS

A/E architect/engineer
CDC Center for Disease Control
GAO General Accounting Office
GSA General Services Administration
IRS Internal Revenue Service
OMB Office of Management and Budget

CHAPTER 1

INTRODUCTION

The Public Buildings Cooperative Use Act of 1976 (40 U.S.C. 601a) provides, among other things, that the Administrator of General Services, in acquiring space necessary for the accommodation of Federal agencies, shall

"* * * acquire and utilize space in suitable buildings of historic, architectural, or cultural significance, unless use of such space would not prove feasible and prudent compared with available alternatives."

In a November 30, 1977, memorandum, the Commissioner of Public Buildings Service, General Services Administration (GSA), noting that the Building Service's progress in acquiring and using space in such buildings had been minimal, informed the Building Service's Regional Commissioners of the establishment of "an aggressive program to significantly improve that record."

In describing the plan, the Commissioner's memo stated that:

"The underlying premise of the entire plan is that when a building on, or eligible for, the National Register of Historic Places is available for lease or purchase, PBS [Public Buildings Service] will develop a plan to acquire space in that building. In essence then, the identification of the need will in most cases follow the identification of the building."

The major effort under the new aggressive program is to acquire and renovate train stations. GSA plans to acquire and renovate at least five train stations. To date, however, only one prospectus--renovating a train station building in Nashville, Tennessee--has been submitted to the Congress.

STATUS OF PROJECT

The prospectus for the Nashville project, approved by the appropriate House and Senate Committees on May 15, 1978, and June 22, 1978, respectively, concluded that renovation of the train station building was "the best alternative [compared to leasing or new construction] for providing additional Federal space in Nashville, Tennessee." The estimated renovation cost, approved by the Committees, is about \$7.152 million.

The train station building is part of a complex (called Union Station) that also includes a train shed and a baggage building. The station building was donated to the Government by the Louisville and Nashville Railroad. The Railroad, which retained ownership of the train shed and the baggage building, has formed a partnership with a private developer that controls about 55 acres of land adjacent to Union Station.

Although the donation agreement was completed in September 1978, GSA did not take official title to the property until March 6, 1979, primarily because of certain health hazards at the station. According to GSA officials, actual construction work on the station building is scheduled to start in the spring of 1980.

PRIOR REPORT

On January 25, 1979, we reported (LCD-79-302) to you on certain aspects of GSA's activities in implementing the Public Buildings Cooperative Use Act of 1976. In summary, the report contained three major observations.

- Although we are not opposed to the Federal Government trying to preserve our architectural heritage through the acquisition and renovation of significant historical structures, we do believe that, if the Public Buildings Cooperative Use Act is to serve as the vehicle for this effort, then GSA should have to adequately demonstrate the need for the space in conformity with the intent of the act.
- If, however, the Congress intends that the preservation of these structures should take precedence over the need for additional space, then the intent of the law should be redefined to allow GSA to acquire such buildings irrespective of a demonstratable need for the space.
- Because of the uniqueness of Public Buildings Cooperative Use Act projects, perhaps GSA should modify its prospectus procedure for these types of structures to enable the appropriate Committees to base their decisions solely on the merits of the historic structures GSA seeks to preserve.

In commenting on a draft of our January report, the Administrator of General Services, by letter dated January 9, 1979, did not dispute or contest any of the report's findings

and conclusions relating to GSA's emphasis on acquiring historic structures as opposed to considering the need for space as the act intends. The Administrator agreed that perhaps GSA should modify its prospectuses so that they address only the costs and benefits of the historic projects.

Changing the prospectuses in this manner would require statutory amendments.

SCOPE OF REVIEW

This review was made as part of our evaluation of GSA's activities to implement the Public Buildings Cooperative Use Act of 1976. The proposed Nashville project is the first structure planned for acquisition and renovation pursuant to the act. This portion of the review was directed towards assessing (1) GSA's actions in seeking to acquire and renovate the train station building in relation to the provisions of the act, (2) the need for additional federally owned space in Nashville, (3) the reliability of the information (prospectus) GSA provided the Congress, and (4) the pertinent issues that should have been brought to the Congress' attention.

We reviewed all available information relating to GSA's actions, discussed these actions with GSA officials, and visited the train station and other affected structures. We also obtained documentation and/or discussed the project with officials from the city of Nashville; the Louisville and Nashville Railroad; the Advisory Council on Historic Preservation; the Center for Disease Control, Public Health Service, Department of Health, Education, and Welfare; the Department of Transportation; and various other interested organizations. We made our review at the GSA Central Office, Washington, D.C.; GSA's Region 4 Office, Atlanta, Georgia; and Nashville, Tennessee.

CHAPTER 2

NEED FOR SPACE AND ALTERNATIVES

In our opinion, the prospectus used by GSA to obtain congressional approval to renovate the Nashville train station building did not provide adequate information regarding the (1) need for additional Government-owned office space in Nashville and (2) viability of the other alternatives (new construction and leasing) cited in the prospectus.

NEED FOR SPACE

The Public Buildings Cooperative Use Act directs GSA to consider historically, architecturally, or culturally significant buildings as the primary alternative for meeting the space needs of the Government. However, as discussed in our January report, GSA appears to be operating on the assumption that the acquisition of these structures takes precedence over the question of the need for additional federally owned space in the areas where the structures are located.

The approved prospectus for the Nashville project concluded that renovation of the station building was the best alternative (compared to leasing or new construction) for acquiring additional Federal space in Nashville. However, information from our prior report shows that the impetus for GSA's efforts stemmed from its desire to acquire the train station building, rather than the need for additional space.

--In July 1977 GSA's Central Office concluded that Federal agencies were adequately housed in Nashville and that there was no need for additional space or replacement space.

--An October 1977 Federal Space Situation Study done by GSA's Region 4, the regional office responsible for Nashville, concluded that there was no need for additional space and recommended waiting 5 years and then restudying the space situation in Nashville.

--Region 4 officials stated that, at the time of the decision to acquire the station building, no Federal agencies in Nashville had requested additional space or new locations.

- About 80 percent of the Federal space in Nashville was Government owned, compared to a national average of about 50 percent, and a 35-percent average for all of Region 4.
- About 72 percent of the Federal employees in Nashville were housed in Government-owned space, compared to 48 percent nationally and 33 percent for Region 4.
- There are three federally owned office buildings containing about 400,000 square feet of general purpose office space in the area of Union Station. The newest building, with 203,800 square feet of occupiable office space, was completed in 1975.
- In May 1977 GSA transferred to the city of Nashville the old Federal Office Building located near Union Station. This building is also on the National Register of Historic Places and is being renovated by the city. An April 1975 GSA study concluded that renovation of this building, which GSA declared excess in September 1974, would provide about 74,000 square feet of occupiable Federal office space at a cost of about \$5.3 million. GSA officials stated that they exccessed and transferred the old Federal Office Building and acquired the station building because the city was willing to take the old Federal Office Building, but nobody would save the railroad station.

In commenting on a draft of our January report, the Administrator of General Services acknowledged that factors other than the need for space governed GSA's actions in acquiring the Nashville train station building.

ALTERNATIVES

In seeking congressional approval for the Nashville train station project, GSA provided the appropriate Committees with a standard prospectus which compared renovating the train station building to the alternatives of new construction and leasing. In effect, GSA asked the Committees to approve the project based on the assumptions that (1) there was a need for additional Government-owned space in Nashville

and (2) compared to leasing or new construction, acquiring and renovating the train station building was the best alternative.

Newly constructing or leasing a facility that would provide only about 47,000 square feet of office space appears to be unrealistic in a city where (1) there was already 400,000 square feet of federally owned office space in the area of the railroad station, (2) the most recently completed Federal building (1975) provided 203,800 square feet of office space, (3) GSA had exsessed and transferred (1977) to the city the old Federal Office Building having 74,000 square feet of office space, and (4) GSA's regional officials recommended a 5-year wait before restudying the space situation in Nashville. Accordingly, in the absence of its desire to acquire and renovate the train station building, it is unlikely that GSA would have ever attempted to seek congressional approval for the other alternatives cited in the prospectus.

Our January report, noted that, even when there is a demonstrated space need, the standard prospectus format may not be appropriate for historical structures because of the uniqueness of many of the structures. In commenting on our January report, the Administrator of General Services agreed that (1) comparing the renovation of historic structures to the alternatives of new construction and leasing may not be realistic and (2) perhaps the prospectuses being sent the Congress for these type of projects should only address the costs and benefits of the historic projects.

Changing the prospectuses in this manner would require statutory amendments.

GSA COMMENTS AND OUR EVALUATION

The Administrator of General Services, by letter dated March 26, 1979, commented on a draft of this report. (See app. I.) Consistent with its comments on our January report, GSA acknowledged that the Nashville project "* * * is not based on the need for additional space." GSA stated "* * * as with most prospectus projects, it is consistent with our basic policy of consolidating agencies and will achieve the benefits associated therewith."

As stated above, the approved prospectus submitted by GSA informed the Congress that the renovation of the train station building was "the best alternative for providing additional Federal space in Nashville, Tennessee." (Under-scoring supplied.) Further, nowhere does the prospectus inform the Congress that consolidation of Federal agencies

was a factor in GSA's desire to acquire and renovate the train station building.

Also, the number of employees (125) that will be housed in the building represents about 18 percent of the number of employees (687) that were in leased space in Nashville as of February 22, 1979. This appears to be a minor consolidation effort, especially in relation to the much greater opportunity for consolidation offered by the old Federal Office Building which GSA disposed of in 1977.

CHAPTER 3

PROSPECTUS

The approved prospectus for the Nashville project compared renovating the train station to the alternatives of new construction and leasing. Because it is unlikely, in the absence of its desire to renovate the train station, that GSA would have sought congressional approval for either of the other alternatives, we did not attempt to validate them. Rather, we concentrated our analysis of the approved prospectus on the proposed acquisition and renovation of the train station building, which GSA estimates will cost about \$7.152 million.

We found that the prospectus had numerous inaccuracies, omissions, and unsupported figures. As a result, the prospectus overestimated the amount of occupiable space in the train station building, overstated the number of employees that will be housed, underestimated the cost of renovation, and claimed certain benefits that may not be realized.

OCCUPIABLE SPACE AND EMPLOYEES

The approved prospectus states that renovating the train station building's 90,000 gross square feet will result in about 72,700 square feet of occupiable space--47,700 square feet of office space housing 163 Federal employees and 25,000 square feet of space for leasing to commercial activities. However, GSA's Region 4 initially estimated the total amount of occupiable space in the renovated station building at about 62,000 square feet, the amount used by the competing architect/engineers (A/Es) for their preliminary design competition. Because the station building is closed for health reasons, it cannot be entered to verify the amount of space.

Our analysis showed that GSA's Central Office drafted a prospectus in November 1977 that provided about 45,000 square feet of office space housing 163 Federal employees. Included in this estimate were 55 Federal employees housed in about 13,000 square feet of office space resulting from renovating the baggage building. Although the baggage building was excluded from the prospectus sent to the Congress, the square footage (13,000 square feet) and employees (55) had been included in the train station building estimates. GSA officials were unable to adequately explain how this situation came about.

Comparing the occupiable square footage to gross square footage for all three alternatives in the approved prospectus further highlights the apparent inaccurate occupiable square

footage estimate for the renovation project. The prospectus' estimated 72,700 square feet of occupiable space equals about 81 percent of the total gross square footage (90,000 square feet) of the train station building. For the new construction and leasing alternatives in the approved prospectus, the ratio of occupiable square footage to gross square footage was 62 and 65 percent, respectively. In our opinion, it is unlikely that a building (train station) not specifically designed for office space would produce 16 to 19 percent more occupiable space than two buildings specifically designed for that purpose.

Finally, in January 1979 Region 4 developed an occupancy plan, approved by GSA's Central Office, which showed about 125 Federal employees being housed in about 23,000 square feet of office space in the renovated station building. Another 15,000 square feet of potential office space, in the attic and on the mezzanine level, is considered by Region 4 officials to be inadequate for use as office space because of its low quality and lack of access for the handicapped. Region 4 also estimates that renovation will provide about 15,000 square feet of occupiable commercial space.

ECONOMIC ANALYSES

The economic analyses supporting the approved prospectus compare the life-cycle costs of the three alternatives (renovation, new construction, and leasing) over a 30-year period. The guiding Federal policy for these analyses is the Office of Management and Budget (OMB) Circular A-104. These costs are expressed in present values, which represent the amounts that would have to be invested at a given rate of interest to yield sufficient principal and interest to pay for all the costs of each alternative over the 30-year life. For the proposed renovation alternative, GSA estimated the total present value cost at about \$15.4 million.

GSA developed a computer model to determine the life-cycle costs of the various alternatives for acquiring space. The model, which was specifically designed for evaluating office buildings, uses stored data and numerical assumptions which can be changed by the user.

Normally, GSA would use the model to develop the construction costs of a renovation or new construction alternative. For the construction cost to renovate the Nashville train station building, however, GSA's Central Office entered a predetermined figure of \$6,501,700. GSA officials stated that this figure, developed by GSA's Construction Management Division, was based on a physical evaluation of the train station building's condition. Because the station building

was closed for health reasons, we were unable to evaluate the reasonableness of the \$6,501,700 estimate.

In our opinion, GSA used an unrealistically high ratio of occupiable to gross square feet for the train station building. By using this percentage in the model, we believe that GSA distorted the model's life-cycle cost calculations for the renovation alternative. The calculations were further distorted by other various errors, omissions, and unsupported figures, as detailed below.

Design, supervision, and management

The model's stored values provide that the costs for design, supervision, and management for this proposed renovation alternative should equal 21.7 percent of the project's estimated construction cost. However, only a 10-percent estimate was used for the costs of design, supervision, and management. For the other two alternatives in the prospectus--new construction and leasing--the model's standard percentages were used. If the standard 21.7 percent factor had been applied, the life-cycle cost of the renovation alternative would have been increased by about \$700,000.

Inflation factor

In running the three alternatives through the model, a certain inflation factor was applied only to the new construction and leasing alternatives. The GSA official responsible for the model stated that he had made a mistake in not also applying the inflation factor to the renovation alternative. By applying the inflation factor uniformly, we found that the life-cycle cost of the renovation project increased by an additional \$400,000.

Operation and maintenance

The approved prospectus states that it will cost about \$146,000 annually to operate and maintain the renovated train station building. Normally, GSA would obtain the operation and maintenance costs of a proposed project by using the computer model. This was not done for the renovation of the train station building.

In response to our initial inquiries, GSA officials were unable to provide us any documentation supporting the prospectus figure. Subsequently, GSA officials stated that it was based on the operation and maintenance costs of an Internal Revenue Service (IRS) building in Memphis, Tennessee. However, we found that, unlike the station building or an

office building, the IRS building was a one-floor, warehouse-type structure.

Pursuant to our further inquiries, GSA officials surveyed the operation and maintenance costs of several buildings in Tennessee. Their analysis showed the operation and maintenance costs of these buildings, on a square footage basis, to be twice as much as that cited in the prospectus for the train station building.

Acquisition value

OMB Circular A-104, which serves as the basis for GSA's preparation of prospectuses, states, in part, that:

"All economic costs incurred as a result of Federal acquisition of property must be included whether or not actually paid by the Federal Government. Such costs not generally involving a direct Federal payment include imputed market values of public property, State and local property taxes, and imputed insurance premiums."

Despite the requirements of A-104, GSA did not include the market value of the train station building and land as an imputed cost in calculating the renovation alternative.

A GSA official estimated the current market value of the building and land at \$1.2 million. If GSA had properly applied this provision of A-104 to its prospectus, the estimated cost of the renovation project would have been substantially increased to reflect the market value of the donated property.

COMMERCIAL LEASING

The Public Buildings Cooperative Use Act of 1976 permits GSA to lease space for commercial uses in Federal buildings. GSA's approved prospectus shows a substantial reduction in the cost of the renovation alternative from leasing space in the train station building to commercial activities. The prospectus estimated that the present value income from the leased space would reduce the project's \$15.4 million present value cost by about \$3.8 million over the 30-year period used in the analyses.

In our opinion, the \$3.8 million estimate is questionable because it is predicated on unrealistic estimates of the amount of space available for leasing and the rate that can be charged for the space. In fact, because of the location

of the train station building and the limited amount of commercial space involved, it may not be practical to lease the subject space.

GSA officials stated that the \$3.8 million of income used to offset the cost of renovating the station building was based on 25,000 square feet of available space for commercial leasing, an 80-percent occupancy rate, and a \$10.60 1/ per-square-foot-per-year charge to the leasees. As discussed previously, Region 4's latest estimate shows only about 15,000 square feet of space available for commercial leasing, 40 percent less than the 25,000 square feet shown in the approved prospectus.

With respect to the \$10.60 per square foot lease rate, GSA officials were unable to provide us with any market surveys to support this figure, even though their guidelines require that such surveys be made. To the contrary, documentation provided us by GSA officials showed that the rate for commercial leased space in the area of the railroad station was about \$6 1/ per square foot.

The railroad station is located on the fringe of Nashville's downtown business district. Except for a hotel across the street, the station is surrounded by Federal office buildings, printing establishments, and railroad tracks. It is about six blocks from the commercial/retail activities--restaurants, stores, entertainment establishments, etc.--that attract people to the downtown area of a city. Accordingly, any commercial activities in the train station building will have to have sufficient drawing power, by themselves, to attract people, especially on evenings and weekends when the Federal buildings are unoccupied.

The A/E firms competing for the design contract for the renovation project recognized the problems facing any commercial activities in the train station building. In their November 1978 public presentations, the A/E firms cited various potential problems, including the (1) limited amount of pedestrian and vehicular traffic in the area of the station, (2) station's distance from other commercial/retail activities in the downtown area, and (3) competition for potential customers from proposed commercial developments in other areas of downtown Nashville.

A consultant for one of the A/E firms stated that:

1/ Includes a \$0.60 per square foot service charge.

"The space available for out-lease on the lower levels totals 25,000 square feet. As previously stated, a minimum of 35,000 to 40,000 square feet of commercial space is typically required to create a financially viable retail attraction."

As discussed previously, the actual amount of space available for commercial leasing will probably be closer to 15,000 square feet.

At present, passenger train service at the Union Station complex consists of two trains daily, with only about 40 passengers per day boarding or leaving at Nashville. The latest Amtrak proposal before the Congress would completely eliminate passenger service for Nashville.

Another potential problem involves the lack of parking space at the station building. The proposed A/E designs will probably eliminate the station's 22 existing parking spaces. Although Region 4's estimate for renovating the station included a 250 car garage, no provision for parking space was included in the prospectus approved by the Congress. GSA officials believe that this problem will be resolved through an arrangement with the railroad, but no specific solution has been developed. Because of the limited pedestrian traffic in the station area, adequate parking facilities would appear to be a necessity for commercial activities.

GSA COMMENTS AND OUR EVALUATION

With respect to this chapter of the report, GSA's March 26, 1979, comments only addressed three selected issues.

Occupiable space and employees

Although GSA's comments indicate that the report's estimates of the amount of space and number of employees could be understated, they do not specifically refute the report's figures. Rather, the comments state that "* * * the study of the building by the A/E under consideration for the design of this project indicates that a net occupiable area of about 67,000 square feet can be developed in this building." In discussing numbers of employees, GSA states that "* * * with the appropriate use of the attic and mezzanine portions we anticipate that at least 165 employees will be housed in the facility when completed."

It should be noted that the estimates in the report are not our figures, they are based on GSA's approved housing plan. Our report discusses the potential 15,000 square feet

in the attic and on the mezzanine level, including the reasons--low quality and lack of access for the handicapped--why GSA's Region 4 officials consider that space to be inadequate.

Subsequent to GSA's March 26, 1979, letter, we discussed with GSA officials the current status of the space and employees. The officials stated that efforts have been made and are continually being made to increase the amount of occupiable space and the number of employees that can be housed in the station building. However, despite these efforts, there have been no changes to GSA's approved housing plan.

Economic analyses

In their March 26, 1979, comments, the only figure GSA discusses is the \$6.5 million construction estimate. However, this is the only major figure in GSA's analyses our report does not question. GSA's comments do not discuss any of the errors, omissions, and unsupported figures in its analyses that support our conclusion that the prospectus inadequately presents the cost of the proposed renovation project.

Commercial leasing

GSA states that our \$6 per square foot estimate for commercial leasing space "* * *" is based primarily on office space which is not a proper benchmark from which to project the average rental income for commercial retail space."

As discussed in this chapter, our estimate of \$6 per square foot was based on GSA's analysis of the rate for commercial space in the area of the railroad. Further, contrary to its own guidelines, GSA still has not had market surveys or appraisals made to determine the leasing potential of the station's location, the types of potential tenants willing to lease space at the station building, or the rental rates that could be charged.

CHAPTER 4

OTHER FACTORS

There are several other factors that we believe could affect the feasibility and prudence of acquiring and renovating the train station building in Nashville.

HEALTH PROBLEMS

The station building, which has been unoccupied for about 8 years, has accumulated large quantities of bird droppings and remains from dead birds in its attic, on its upper floor, and in its clock tower. Bird droppings emit spores that can cause histoplasmosis and cryptococcosis, diseases which affect the respiratory system and can be fatal.

In November 1978 GSA's Region 4 had the station building tested by the Center for Disease Control (CDC), Public Health Service, Department of Health, Education, and Welfare. CDC confirmed that the cryptococcosis organisms were present in all 12 samples taken from the building. As a result of CDC's findings, GSA closed the station to its personnel and is proposing that individuals exposed to the droppings take physical examinations.

Health experts believe that the problem of cryptococcosis can be eliminated by proper decontamination. Until the building is decontaminated and tested, there is no guarantee that it will be safe for habitation. The possibility exists that, even with decontamination, the disease carrying organisms could remain lodged in the interior woodwork of the building.

GSA's Central Office estimates that it will cost about \$200,000 to decontaminate the station building. Because the station building is unheated and spraying has to be done when the temperature is between 60 and 70 degrees, GSA does not plan on having the decontamination effort and retesting by CDC completed before September 1979. Although there are no funds specifically identified in the approved prospectus for decontamination, GSA officials stated that the \$7.152 million project estimate contains sufficient funds to pay the estimated \$200,000 cost.

Region 4 officials believe that the cryptococcosis organisms may also be present in either or both the baggage building and the train shed. However, because these two buildings were not part of the donation agreement, they were not tested by CDC. If these other buildings are contaminated, then Region 4 officials believe that all three buildings

would have to be decontaminated before the railroad station building could be occupied.

GSA officials are also concerned that the spraying involved in decontamination could permanently damage the materials and finishes planned for restoration. An official of the Advisory Council on Historic Preservation informed us that the Council, if asked to, would be willing to help GSA ascertain the scope of this potential problem.

HISTORICAL CONSIDERATIONS

The Union Station complex includes the train station building, a train shed, and a baggage building. Although GSA had considered renovating all three structures, the approved prospectus only provides for renovating the train station building. GSA officials stated that the decision to limit the project to the train station building was due to economic considerations and the difficulties that would be involved in trying to adapt the train shed and baggage building for use as office space.

Like the train station building, the train shed is also on the National Register of Historic Places. Both buildings were nominated for the National Register at the same time. The following excerpts from the nomination form describe the significance of the train shed.

"Nashville Trainshed was built on an equally grand scale. It was by far the largest of a number of similar trainsheds which the L&N built in the 1890's. Its clear span of 200 feet makes it the longest single-span, gable roof structure built in America, exceeding the St. Paul Union Depot trainshed by 11 feet. Although completed in 1900, its character and structure are of an earlier date. The Nashville trainshed marks the apogee of the gable roof type. As the desire to have the longest span trainshed became a matter of engineering and corporate pride, the gable roof gave way to arched balloon shed.

"* * * The Nashville trainshed represents the ultimate development of the first phase of trainshed construction and is a significant contribution to the evolution of modern building construction."

In describing the Union Station complex, GSA's Region 4 stated that some observers consider the train shed to be the

most important part of the complex from an architectural standpoint. The National Park Service's "Historic American Engineering Record" sheet for Union Station, after describing the historical aspects of the train station building, notes that "Of even more significance is the covered train shed to the rear of the station."

In this regard, the Executive Director, Nashville Metropolitan Historical Commission, in commenting on GSA's proposed renovation of the train station building and its relationship to the train shed, stated:

"Of concern to us also is the future of the shed as we realize that this structure represents a major engineering accomplishment. It was based on the significance of the shed that the entire property was declared a National Historic Landmark in 1977. We are anxious to see that this structure is dealt with sympathetically in planning as well as the interior of the station."

Although the prospectus indicates some future development by the railroad for the train shed, GSA officials acknowledged that the railroad has no plans to restore the train shed. In fact, the available information indicates that restoration of the train station by GSA and development of the adjoining 55 acres by the partnership could result in the demolition of the train shed.

FUNDING

Each year GSA seeks authorization from the Congress to expend funds for repairs and alterations to buildings GSA controls, both Government owned and leased. The requested authorization is supported by a list of projects estimated to cost \$500,000 or more (prospectus projects that have to be individually approved by the appropriate congressional committees), and a lump-sum amount for all projects estimated to cost less than \$500,000. For fiscal year 1979, GSA was authorized to expend about \$201.6 million for repairs and alterations, about \$101 million stated to be for projects costing \$500,000 or more each, and about \$100.6 million for all other projects.

GSA originally planned to fund the renovation of the station building from the fiscal year 1979 lump-sum authorization for projects under \$500,000. To this end, GSA proposed reducing the amount of funds available to each regional office for projects under \$500,000. Subsequently, GSA revised its plans and decided to fund the renovation of the

train station building out of the 1980 authorization for repairs and alterations.

For fiscal year 1980, GSA is seeking authorization to expend \$180 million for repair and alteration projects, about \$98 million for listed prospectus projects, and about \$82 million for lump-sum projects. Although the proposed renovation of Union Station exceeds the \$500,000 criteria, GSA did not list it in the fiscal year 1980 budget.

The appropriations bills for GSA's repairs and alterations program do not authorize funds specifically for the listed prospectus projects in support of GSA's budget. For that reason, there is no legal impediment to the use of this authority for prospectus work not included in the budget. However, the Public Works and Appropriations Committees have shown concern about major deviations from GSA's annual budgets presented to the Congress. Therefore, if GSA plans to fund the project out of the fiscal year 1980 lump-sum authorization for projects under \$500,000, then the appropriate committees of the Congress should be informed accordingly.

GSA COMMENTS AND OUR EVALUATION

In commenting on this report, GSA failed to address the issues discussed in this chapter relating to the historical questions, the health problems, and the funding of the project.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATION

As stated in our January report, we are not opposed to the Federal Government trying to preserve our architectural heritage through the acquisition and renovation of significant historical structures. However, the decisions by the Congress on whether to approve these types of projects are complicated by certain nonquantifiable factors, such as historic and aesthetic considerations, not present in most space acquisition proposals. Accordingly, we believe that it is imperative that the Congress have complete and accurate information on which to base its value judgments.

The proposed Nashville train station building is GSA's first attempt to acquire and renovate a historic structure pursuant to the Public Buildings Cooperative Use Act of 1976. As discussed in this report, the information (prospectus) provided the Congress for this project was incomplete and inaccurate. Further, we believe that the inadequacies in the prospectus, along with certain other factors not presented to the Congress, could affect the feasibility and prudence of the proposed project.

The Congress should have the opportunity to reevaluate this project on the basis of the best available information. Therefore, the Public Works Committees of the House and Senate should consider requesting GSA to develop and submit a revised prospectus to the Congress for the Nashville train station building. The prospectus should contain an accurate and complete economic analysis that corrects the deficiencies noted in chapter 3. Further, the prospectus should apprise the Congress of all the other pertinent issues relating to the proposed project, as discussed in chapters 2 and 4.

RECOMMENDATION

We recommend that the ~~Chairmen of the Public Works Committees of the House and Senate~~ ^{Chairmen of the Public Works Committees of the House and Senate} consider requesting the ~~Administrator of General Services~~ ^{GSA} to prepare and submit a revised prospectus for the proposed Nashville train station building that accurately and completely informs the Congress of all the pertinent economic and other issues relating to the proposed project.

GSA COMMENTS AND OUR EVALUATION

GSA's March 26, 1979, comments maintain that " * * * the prospectus which was submitted to the Public Works Committees clearly describes the scope of the project, and the

associated costs." GSA then states, however, that this " * * * is not to be interpreted to mean that the procedures and analyses used in developing the Nashville project should not be revised for future projects of a similar nature."

As stated in our January report and in this report, we are not opposed to GSA preserving our architectural heritage through the acquisition and renovation of significant historical structures. We do believe, however, that the Congress should have complete and accurate information on which to base its judgment with respect to these types of projects.

This report discusses, in detail, why we feel there is a need for a revised prospectus for the proposed Nashville train station building project. The Public Works Committees will have to decide whether GSA should submit a revised prospectus in line with our recommendation.



General
Services
Administration Washington, DC 20405

MAR 26 1979

Honorable Elmer B. Staats
Comptroller General of
the United States
General Accounting Office
Washington, DC 20548

Dear Mr. Staats:

Thank you for the opportunity to review and comment on the draft report, "The Proposed Project to Renovate an Historic Train Station Building in Nashville, Tennessee, Needs to Be Reevaluated."

This critical report, following closely after your letter report concerning the Nashville Station of January 25, 1979, (LCD-79-302) leads me to believe that the GAO is intent upon frustrating, without justification, GSA's efforts to implement the Public Buildings Cooperative Use Act of 1976. In this regard, I believe the proposed renovation of the Nashville Station is an outstanding example of the implementation of this Act. Completion of this project is in the best interest of the Government and the citizens of this country in that it will ensure, at reasonable cost, the preservation of an important part of our architectural heritage. I believe also, that the Public Works Committees of the House and the Senate hold this view as evidenced by the fact that both of these bodies, after hearings on the matter, have enthusiastically approved the proposed project.

With respect to the focus of the report, the analysis of the approved prospectus is concentrated on four basic areas, namely, the need for and the amount of space to be provided, the number of employees to be housed, the cost of the project, and the expected benefits to be derived. The report concludes, also, that a revised prospectus should be submitted to the Congress. A brief discussion of these issues is attached.

After reviewing this matter, I am convinced that the prospectus which was submitted to the Public Works Committees clearly describes the scope of the project, and the associated costs. Accordingly, I cannot agree with the recommendation in your report, that a revised prospectus be submitted to the Public Works Committees. In this connection, it should be noted that my position in this matter is not to be interpreted to mean that the procedures and analyses used in developing the Nashville project should not be revised for future projects of a similar nature.

Sincerely,

J. G. ...
Administration

Enclosure

GSA Response to Draft GAO Report:

"The Proposed Project To Renovate An Historic Train Station Building in Nashville, Tennessee, Needs To Be Reevaluated"

This report is the second GAO report on the authorized project to acquire and renovate the Nashville Union Station to collocate Federal activities in the community and, thereby, ensure the preservation of a Nationally historic building. The report states in the opinion of the GAO that the "Congressional Committees in approving the . . . project did not have complete and reliable information on several important issues concerning the merits of the proposed renovation" and concludes that a revised prospectus should be submitted to the Public Works Committees of the Congress for further evaluation. The issues addressed by the GAO related to 1) the need for and the amount of space to be provided through the renovation, 2) the number of employees that are to be housed in the station, 3) the cost of the project, and 4) the expected benefits to be derived, particularly concerning the expected rental income from the multi-use space to be outleased.

Considering the nature of the project, it is our opinion, however, that the prospectus did fully inform the Congress of the various aspects of the proposed renovation and, accordingly, a revised prospectus is not warranted. We believe the following discussion of the issues raised by the GAO supports that opinion.

1. Need for and Amount of Space

The draft report criticizes GSA for proposing to acquire the Nashville station when there was no outstanding "need for additional Government-owned space." It must be emphasized that the majority of GSA prospectus level projects are rarely precipitated by a need for additional space. Rather, in most instances, prospectus level projects generally reflect the implementation of one of GSA's basic policies, namely, consolidating agencies. The objective of that policy is to achieve, among other things, increased efficiency in agency operations, reduction in the number of duplicate facilities associated with scattered locations, facilitating interagency coordination and communication, optimizing overall space management, and reducing administrative costs in managing and operating the space and facilities provided for agency use. Furthermore, the benefits of consolidation are not limited to the Federal Government. The local community directly benefits from a concentrated Federal presence in that where suitably located, it provides greater convenience to citizens seeking advice or assistance from Federal agencies. Also, this project will act as a catalyst for additional development in proximity of the Federal facility. In this regard it is interesting to note that it was recently announced that a joint venture between the L & N Railroad and Central Developers, Ltd., plans a \$200 million development on the 55 acres of land adjacent to the building.

The Nashville project admittedly is not based on the need for additional space. However, as with most prospectus projects, it is consistent with our basic policy of consolidating agencies and will achieve the benefits associated therewith. Additionally, it represents an unusual opportunity to preserve a nationally recognized historic structure and to accelerate the redevelopment of the area in the vicinity of the station as part of Nashville's development and revitalization effort. Thus, it will contribute to the long term economic well being of a central city area, one of the primary objectives of the Cooperative Use Act and Executive Order 12072.

With respect to the amount of space to be provided, the report notes that the approved prospectus states that the renovation will produce approximately 72,700 occupiable square feet, which is inconsistent with what can actually be provided. In this connection, it is important to note that the study of the building by the A/E under consideration for the design of this project indicates that a net occupiable area of about 67,000 square feet can be developed in this building. Thus, the estimate of 72,700 square feet of occupiable area as set forth in the approved prospectus, which was developed well in advance of the specific studies undertaken by the A/E's, is well within a reasonable range of accuracy considering the character of the facility and the extent of the renovation required.

2. Number of Employees

The draft report states that an occupancy plan developed in January of this year reflects only about 125 employees to be housed in about 23,000 square feet of agency space emphasizing that these figures deviate significantly with the prospectus figures of 163 employees in about 45,000 square feet of space. The results of the Level III competition have indicated that the mezzanine and attic portions of the building, in addition to the 23,000 square feet of space in the second and third floor, can be made suitable for agency use. Thus, as stated in 1. above, we are confident that 67,000 square feet can be provided, of which about 27,000 will be multi-use space and about 40,000 will be assigned to agencies. Accordingly, with the appropriate use of the attic and mezzanine portions we anticipate that at least 165 employees will be housed in the facility when completed.

3. Construction Cost

The draft report is critical of the procedures used in developing the estimated cost of the project and, therefore, concludes that the project costs are underestimated. One of the major criticisms involves the use of the Life Cycle Project Budgeting Model. However, the draft report is incorrect wherein it states on Page 14 that,

"Normally, GSA would use the model to develop the construction costs of a renovation or new construction alternative." The use of a predetermined construction cost figure, as was done in this project, is a standard practice. The report is correct in stating that the figure of \$6,501,700 was developed by GSA as a result of a physical evaluation on the site. In fact, the reasonableness of this construction cost figure was confirmed individually by each of the three Level III Architect/Engineering firms who competed for the A/E selection. The estimated construction costs included in their submissions were:

A/E Firm #1	\$5,998,329
A/E Firm #2	\$6,000,000
A/E Firm #3	\$6,008,567

The \$6,501,700 estimated construction cost in the prospectus represents \$72.24 per gross square foot which is consistent with restoration projects accomplished by others throughout the country. Thus, our review of these estimates of cost confirm our position that for the scope of work intended for the Nashville building, the estimated cost is entirely reasonable.

4. Expected Benefits

The draft report is critical of the prospectus's estimated multi-use rental income of \$10.60 per square foot stating that the commercial leased space "in the area of the railroad station was about \$6 per square." However, as also stated in the report, "Except for a hotel across the street, the station is surrounded by Federal office buildings, printing establishments, and railroad tracks." Thus, the \$6 per square foot figure is based primarily on office space which is not a proper benchmark from which to project the average rental income for commercial retail space. It is a well recognized fact that retail space leases for considerably more than office space. Furthermore, the report fails to consider the impact of the proposed 55 acre development that will occur adjacent to the Nashville Station as planned by the L & N Railroad and its joint venturer. We believe this proposed major development, with the renovation of the old station building serving as a catalyst, will provide a multi-faceted anchor that will draw people into the area of the station especially during after hours and on weekends, and ensure the long term success of a multi-use operation. Therefore, in view of these factors it appears that the average rental of \$10.60 per square foot for the multi-use portion of the Nashville project can easily be achieved if not exceeded.

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