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GAO

United States General Accounting Office
Washington, DC 20548

Logistics and
Communications
Division

B-197026

JANUARY 30, 1980

The Honorable George M. O'Brien
House of Representatives

Dear Mr. O'Brien:

Subject: [Review of the Relocation of the Social
Security Administration District Office
in Kankakee, Illinois] (LCD-80-34)

17 This report is in response to your September 24, 1979,
letter requesting us to review the actions taken by the
General Services Administration (GSA) to lease space for
relocation of the Social Security Administration (SSA) - 3776
district office in Kankakee, Illinois. In your letter and
during a meeting on November 27, 1979, you expressed concern
about (1) whether all offerors responding to GSA's request
for leased space were properly considered, (2) why the
planned occupancy date was postponed several times, and (3)
if the property selected is located within Kankakee's cen-
tral business district in line with Administration policy
on location of Federal facilities.

We did not review GSA's overall procedures and practices
for leasing space. Rather, we examined the procedures GSA
followed to lease property for SSA's Kankakee district
office. We also contacted offerors responding to GSA's
solicitation, Kankakee City officials, and SSA officials.

Information pertaining to the issues of specific
concern is summarized below.

CONSIDERATION GIVEN TO OFFERORS

In March 1978 GSA solicited offers for 5,250 square
feet of space for the purpose of acquiring a new lease for
the SSA district office in Kankakee, Illinois. The solici-
tation was necessary because the lease on the space being
occupied by the SSA district office at 1015 North Fifth

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Avenue was due to expire on September 30, 1978. The solicitation was made under section 302(c)(10) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 252 (c) (10)), as amended. Negotiations were to be conducted to obtain the most reasonable rental rate possible, and the proposed rental as well as other factors were to be considered in determining which offer would be most advantageous to the Government.

The solicitation provided for (1) occupancy on October 1, 1978, within the city limits of Kankakee, with preference for the central business district, (2) space to be on one floor, with a ground floor preferred, (3) the term of the lease to be for 10 years, and (4) utilities, services, and maintenance to be part of the rental consideration. Final status of the offers received are shown in enclosure I.

Of the two offers it considered responsive, GSA selected the one offering the lowest square foot rate. GSA awarded the lease on February 28, 1979, to the offeror of the property at 300 North Indiana Avenue and notified him accordingly. In accordance with Federal Procurement Regulations (41 CFR 1-3.103(b)), GSA notified the offeror of the property at 341 East Court Street that his offer was rejected. GSA did not send notices to other offerors because their properties were considered withdrawn.

According to GSA regional officials, all offerors must withhold their properties from the real estate market during the solicitation period in order to be considered. However, the offeror of 215 South Schuyler Avenue, in a letter dated October 27, 1978, notified GSA that he was placing the property on the real estate market as of November 1, 1978. GSA interpreted that notification to constitute a withdrawal from further consideration, even though the notification did not state that withdrawal was intended. Although the offeror subsequently told GSA he did not intend to withdraw the offer, he was not informed of GSA's interpretation until after a lease was awarded to another offeror.

On November 20, 1978, GSA sent amendment No. 4 to all offerors extending the occupancy date to October 1, 1979, or sooner, and the acceptance date for offers to December 15, 1978. The offeror of 215 South Schuyler Avenue accepted and approved the conditions imposed by amendment No. 4 by signing it on November 30, 1978, and returning it to GSA. GSA received the signed amendment but did not acknowledge it. The offeror was not contacted for purposes of further negotiation.

According to GSA officials, they did not acknowledge the offeror's response to amendment No. 4 because it was either misplaced or misrouted. They stated that this could have resulted after responsibility for relocating SSA's district office was transferred from the GSA realty specialist handling it to a special task force. The task force, consisting of personnel from GSA and SSA, was set up to handle a large backlog of SSA relocation cases. A task force representative said that she was not aware of the signed amendment. She also stated that the GSA contracting officer reviewed all applicable files prior to signing the award in late February 1979 but did not have amendment No. 4 signed by the offeror of 215 South Schuyler Avenue.

In June 1979 the offeror questioned GSA as to why he had not been informed in February 1979 that a lease had been awarded. GSA officials informed the offeror that, based on his October 27, 1978, letter, GSA considered the offer withdrawn. It was not until after the June 1979 inquiry that GSA located the signed amendment. The series of events apparently created confusion among all parties regarding the status of the property.

We believe that more prudent actions on GSA's part would have been to confirm the intent of the offeror and/or request a final and best offer for the property at 215 South Schuyler Avenue prior to awarding the lease. However, we do not know how or to what extent the outcome would have been changed had GSA considered the property when it awarded the lease. Except for the above, we found nothing wrong with GSA's consideration of the offers received.

REASONS FOR POSTPONING
THE OCCUPANCY DATE

During the period that GSA solicited offers for leased space, the projected occupancy date was postponed three times--from October 1, 1978, to March 1, 1979; then to April 1, 1979; and finally to October 1, 1979. These postponements were due to (1) the need to solicit space solely in Kankakee's central business district and (2) administrative management problems within GSA's Chicago office.

In April 1978 GSA, in response to the President's proposal of a national urban policy, required Government agencies to try to locate space in a community's central business district. To solicit for leased space only in the central

business district, GSA issued amendment No. 2 to the solicitation on August 9, 1978. In doing so, GSA changed the planned occupancy date from October 1, 1978, to March 1, 1979. This change was necessary due to the short period between August 9 and October 1, 1978.

Administrative management problems forced the postponement of occupancy two more times. On September 8, 1978, occupancy was postponed to April 1, 1979, and on November 16, 1978, occupancy was postponed to October 1, 1979, or sooner. GSA officials described the management problems as (1) disruptions in regular activities created by GSA agency-wide problems, (2) extremely heavy workload, and (3) rapid turnover of experienced realty specialists. The final postponement to October 1, 1979, was also necessary because the lease at 1015 North Fifth Avenue had been renewed on November 14, 1978, for the period from October 1, 1978, to September 30, 1979. In our opinion, at the time the changes were made, they were justified.

CENTRAL BUSINESS DISTRICT BOUNDARIES

As noted earlier, GSA issued amendment No. 2 to the solicitation requiring that the property to be leased be in the central business district of Kankakee.

In determining boundaries of a community's central business district, GSA's policy has been to consult with local city officials. In mid-1978, the realty specialist said that he attempted but was unable to locate any Kankakee city officials who could provide central business district boundaries. The realty specialist then contacted the ³⁷⁷ Kankakee Chamber of Commerce, an industrial development corporation, and an engineering firm to determine the Kankakee central business district boundaries. GSA's defined boundaries contain much of the area outlined in the three sets of boundaries provided, and the new leased property is within those boundaries. In our view, GSA's determination of the boundaries was in conformance with the authority granted to GSA.

As requested by your office, we provided appropriate GSA officials with a draft of this report for comments and discussed it with them. They concurred with its contents.

B-197026

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Health, Education, and Welfare; the Administrator of General Services; and other interested parties upon request.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. W. Gutmann".

R. W. Gutmann
Director

Enclosure

FINAL STATUS OF OFFERS
IN RESPONSE TO GSA'S SOLICITATION
FOR LEASED SPACE

<u>Location</u>	<u>Offer effective until</u>	<u>Cost per square foot</u>		<u>Included in rental consideration</u>		<u>Status</u>
		<u>10 years with option (note a)</u>	<u>10 years firm</u>	<u>Utilities</u>	<u>Parking</u>	
281-295 East Court St.	9-21-78	\$ 8.50	\$ 7.75	X	X	Withdrawn by offeror
1015 North Fifth Ave.:						
1st floor	8-9-78	7.41	7.09		X	Not responsive to amendment No. 2 - Not in central business district.
2d floor	8-9-78	6.23	5.85		X	Not responsive to amendment No. 2 - Not in central business district
215 South Schuyler Ave.	10-31-78	9.07				Considered withdrawn by GSA - Subsequent offer not acknowledged by GSA
341 East Court St.	2-28-79	14.11	10.86	X		Rejected - Square foot rate too high
300 North Indiana Ave.	2-28-79	9.85	10.00	X	X	Awarded lease - Feb. 28, 1979

a/Represents 10 years with option to cancel after 5 years.

ENCLOSURE I

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