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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

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## More Effective Leasing Procedures And Practices Could Help GSA Reduce Delays In Meeting Federal Space Needs

Federal agencies have complained for years about GSA's delays in providing requested space. As a way of overcoming the problem, several agencies have asked the Congress for leasing authority or have requested a delegation of authority from GSA.

GAO's review in three GSA regions found that GSA took longer than its stated goal of 6 months to complete about half of agency requests and longer than 1 year for about 30 percent of the requests. In some instances, these delays had an adverse effect on agency operations. There are many reasons for delays in acquiring space, but a contributing factor, in most cases, is that GSA cannot obtain adequate funding for Federal construction and must rely on leasing to meet agencies' space needs.

GAO is recommending several actions to improve GSA's performance and to reduce delays.



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COMPTROLLER GENERAL OF THE UNITED STATES  
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The President of the Senate and the  
Speaker of the House of Representatives

This report discusses the reasons why it takes the General Services Administration longer than its stated goal of 6 months to complete about half of Federal agencies' requests for space, the adverse impact of delays on agency operations, and the changes needed to improve performance.

We are sending copies of this report to the Director, Office of Management and Budget; the Administrator of General Services; and congressional committees.

*Charles A. Bowler*  
Comptroller General  
of the United States



D I G E S T

As the central authority for Federal space management and leasing, the General Services Administration (GSA) is responsible for meeting agency space needs. However, GSA often fails to satisfy these needs within its goal of 6 months to provide requested space, of which 4 months apply to completing a lease.

Federal agencies have complained for several years about GSA's delays in providing requested space. As a way of overcoming the problem, several agencies have asked the Congress for independent leasing authority or have requested a delegation of leasing authority from GSA.

GAO made this review in three GSA regions to determine the extent of delays in providing space, the reasons for them, their effects on agencies, and the actions needed to improve timeliness. GAO did not address all aspects of the space management issue, focusing mainly on those associated with leasing space. The emphasis was on those factors impeding timeliness in leasing over which GSA has control. (See p. 5.)

SHORTAGE OF GOVERNMENT-  
OWNED SPACE

The lack of sufficient Government-owned space is the principal reason GSA is unable to meet agency space needs on a timely basis. Because of budgetary constraints and the limited resources available from the Federal Buildings Fund, GSA's public buildings construction program has not been adequately supported for several years. As a result, GSA has to rely primarily on leasing to meet agency space needs.

GAO believes that, where there are large concentrations of Federal agencies, construction of additional Government-owned space is usually more economical than long-term leasing and is the most effective way to reduce delays in meeting long-term space needs and their adverse impact on agency efficiency and effectiveness. Furthermore, construction of Government-owned space is more effective than leasing as a way to implement the Government's socio-economic and life-safety policies and standards. (See pp. 8 to 15.)

GSA has provided the Congress with its first long-range comprehensive plan identifying public building needs,

priorities, and estimated costs. The plan emphasizes increased ownership of space and reduced dependence on leasing. To implement the plan, the Congress will have to supplement the construction resources of the Federal Buildings Fund. The amount of supplementary funding will depend on the eventual impact of current efforts to reduce the Federal budget. (See p. 8.)

#### EXTENT, CAUSES, AND IMPACT OF DELAYS IN PROVIDING LEASED SPACE

GSA took longer than its goal of 6 months to complete about half of agency requests for space, with more than 1 year needed to complete about 33 percent of the space requests in the Boston region, 29 percent in the San Francisco region, and 20 percent in the National Capital Region. In some cases, GSA took 2-1/2 to 3-1/2 years to provide space. (See app. III.)

According to a December 1980 GSA study, the average time for delivering space nationwide is 280 days (9 months) and if conditions do not improve, the average time will increase to over a year. (See pp. 16 to 28.)

Also, within that total time frame, the average age of GSA's pending lease actions has increased from about 4-1/2 months in 1977 to 8 months in 1980, in contrast to its 4-month goal for lease awards. (See p. 25.)

Delays in acquiring leased space have occurred for many reasons some over which GSA has no control. They are due primarily to:

- GSA's administrative review and oversight procedures as well as socio-economic and life-safety requirements, which have prolonged and complicated the leasing process.
- The failure of GSA's leasing resources to increase at a pace commensurate with the increased use and complexity of leasing.
- The extremely tight lease market in several of the Nation's major cities. (See pp. 16 to 22.)

Delays in meeting agency space needs sometimes adversely affect agency operations. For example, agencies have to maintain and operate offices at dispersed locations that result in excessive commuting and loss of productivity. The dollar costs of these effects are not known, but can be substantial. (See pp. 29 to 38.)

Delays have also caused holdover tenancy situations. In a holdover situation, the Government continues to

occupy space without the benefit of a lease contract, and it may have to pay extra costs when the lease is renewed because of increased rental rates. According to a GSA report, there were 184 holdover tenancies in December 1980. GAO noted that in one case, additional rent between \$1.9 million and \$2.25 million may be incurred over a 5-year lease term because GSA was not in a position to accept the lessor's initial renewal offer. (See pp. 16, 25 to 28, and 68.)

#### NEED FOR MONITORING AGENCY LEASING

Although the responsibility for leasing activities was centralized in GSA about 30 years ago, it has not issued a Government-wide regulation on leasing of real property nor has it monitored the procedures and practices of agencies with delegated leasing authority. Without a Government-wide regulation, there is no assurance that agencies are following uniform and consistent lease acquisition procedures. GAO noted two cases where agencies did not follow consistent procedures. (See p. 47.)

At the completion of GAO's review, GSA was developing a Government-wide leasing regulation which would provide for the systematic monitoring of agency leasing policies and procedures. (See pp. 47 to 53.)

#### RECOMMENDATIONS TO THE ADMINISTRATOR OF GENERAL SERVICES

GSA has taken certain initiatives to improve leadtime for leasing, but GAO believes that further efforts are needed and recommends that the Administrator of General Services:

- Prepare a complete inventory of the space requests backlog and a plan of action to reduce and monitor the backlog.
- Improve the level of resources devoted to leasing by reducing the attrition rate for leasing personnel and supplementing the leasing resources as needed.
- Delegate leasing authority on a trial basis for small blocks of space in nonurban areas. Delegations should be monitored by GSA and expanded or terminated based on agency performance.
- Maintain statistics on the volume of agency space requests and disclose in the GSA annual report to the Congress information on GSA's performance in filling space requests and the factors that impede timeliness. (See p. 44.)

Also, to ensure that agencies with delegated leasing authority follow sound and consistent leasing procedures and practices, GAO recommends that the Administrator of General Services:

- Issue the Government-wide regulation specifying the policies and procedures which the agencies must follow in acquiring leased space.
- Establish a program for the systematic monitoring of agency compliance with the Government-wide regulation.
- Furnish agencies granted leasing authority with GSA's directives, instructions, and other publications on the scope, applicability, and implementation of Federal leasing policies, regulations, and procedures. (See p. 53.)

#### AGENCY COMMENTS AND GAO'S EVALUATION

GSA agreed with most of GAO's recommendations. However, GSA stated that annual reporting of space request information to the Congress would not be useful since it can provide such information at any time upon request. In addition, GSA disagreed with GAO's recommendation to delegate leasing authority on a trial basis for small blocks of space in non-urban areas.

GAO believes that annual reporting of space request activity and factors impeding timeliness would provide the Congress and others with a barometer of GSA's performance. Unless GSA substantially improves its performance, GAO believes that trial delegations should be an option for delivering leased space. (See pp. 44 and 53 and app. IV.)



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ABBREVIATIONS

FCC	Federal Communications Commission
GAO	General Accounting Office
GSA	General Services Administration

## CHAPTER 1

### INTRODUCTION

The General Services Administration (GSA) was created by the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et. seq.). A primary purpose for enactment of this law was to centralize in a single Government agency the housekeeping functions of the executive branch—procurement, management of real property (space), records management, and other functions. Through the act and its amendments, the Administrator of General Services was given broad authority over the management of space, including the authority to

- prescribe uniform regulations governing real property management and leasing;
- lease, for periods up to 20 years, existing buildings or buildings to be erected for Government use by private or public lessors; and
- delegate leasing authority to the head of any executive agency with the consent of the executive agency concerned.

Further, under the Public Buildings Act of 1959 (40 U.S.C. 601 et. seq.), the Administrator of General Services is authorized to acquire buildings by purchase, condemnation, donation, or exchange.

Currently, GSA controls approximately 233 million square feet of building space (office, storage, and special), of which about 60 percent is Government owned and 40 percent is leased. GSA houses approximately 880,000 Federal employees representing about 40 percent of the civilian Federal work force.

### SPACE MANAGEMENT POLICIES AND OPERATIONS

GSA's efforts to meet agency space needs are carried out through several policies, programs, and processes. Key among these are the space acquisition and utilization policies, the Federal Buildings Fund, and the space request and facility planning processes.

#### Space acquisition and utilization policies

As the central authority for Federal space management, GSA performs two distinct roles in meeting agency space needs. As a service organization, GSA is responsible for delivering suitable space in a timely manner so that agencies can operate effectively and efficiently. As a regulator, it is responsible for ensuring efficient space utilization so that the costs of acquiring and carrying space in inventory are minimized.

GSA meets space needs in one of two ways. First, it can draw from its existing inventory of Government owned and privately leased space. Second, it can augment its inventory by constructing a Federal building, purchasing an existing building, or leasing space in a privately owned building. 1/ If timeliness were the only consideration in providing space, GSA would maximize its service role by acquiring and carrying a space inventory large enough to meet any need virtually on demand, regardless of the cost.

As a regulator, however, GSA is concerned with utilizing its inventory efficiently, housing Federal agencies in Government-owned space, and acquiring space at competitive prices. To promote efficient utilization and minimize inventory holding costs, GSA gives priority to existing inventory when making space assignments and, to the maximum extent practical, assigns space that is Government owned rather than leased. According to GSA's policy, additional space will be leased only when suitable space is not available from existing inventory and GSA cannot ensure delivery of suitable Government-owned space within a reasonable time. GSA also seeks to deliver space that permits consolidation of an agency's offices and operations. Finally, in acquiring leased space, GSA requires that competition be obtained, to the maximum extent practical, among qualified offerors meeting minimum Government requirements.

#### Federal Buildings Fund

Established by the Congress in 1972, the Federal Buildings Fund has financed GSA's construction, leasing, and other real property activities since fiscal year 1975. Under current budgetary practices, GSA limits the levels of new obligational authority for its real property activities to the resources available from the Fund, the great majority of which is comprised of annual user charges that agencies pay for GSA's space and services. For fiscal year 1982, GSA estimates that user charge collections will total \$1.9 billion and requested new obligational authority to apply Fund resources to the following real property activities:

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1/While GSA also has the authority to condemn privately owned property for Government use, it rarely does so because condemnation is a complex process. Also, because of limited funds, GSA's purchase of existing buildings has not been a major means of space acquisition.

	<u>Amount</u>	<u>Percent</u>
	(millions)	
Construction and acquisition of facilities	\$ 27.6	1.5
Repairs and alterations	197.4	10.8
Purchase contract payments	161.7	8.9
Rental of space	721.7	39.6
Real property operations	626.3	34.3
Program direction	<u>88.6</u>	<u>4.9</u>
Total	<u><u>1,823.3</u></u>	<u><u>100.0</u></u>

### Facilities planning process

Until recently, GSA surveyed and projected Federal space needs in individual communities without a comprehensive and systematic process for planning, ranking, and funding public building projects. In June 1980, however, GSA implemented a new planning system to improve its decisionmaking in allocating resources in support of public building programs. A key element of this system is the long-range facility plan which GSA submits each year to the Congress. The first facility plan, covering fiscal years 1981 through 1987, was submitted by GSA in January 1981. A revised and updated plan was prepared in June.

The facility plan presents the identity, priority, and costs of major public building projects and leases which will be initiated in the forthcoming fiscal year and in each of the 5 successive fiscal years. The plan also presents an analysis of nationwide Federal housing conditions and trends and shows GSA's operating policies and goals for the public buildings program.

### Space request process

GSA's process for meeting a space need begins when an agency submits a space request to the appropriate GSA regional office. This request shows for certain space categories, including office, storage, special purpose, and parking, the square footage that the agency believes it needs and identifies the desired location. Within the office space category, the agency computes the square footage requirement on the basis of its authorized level of staffing and GSA's space allocation guidelines. These guidelines vary according to personnel grade levels and whether or not an agency's staffmember has supervisory responsibility.

Once GSA receives the request, it assigns a space specialist to work with the agency. Thereafter, the space request process consists of

- defining and validating the agency's space requirements, including any specialized requirements such as facilities for computer equipment;
- identifying and selecting a solution which GSA believes is in the Government's best interest; and
- acquiring and occupying space, including development of space plans and layouts, completion of any alterations needed to prepare the space for occupancy, and final inspection of the space to be assigned.

For space requests involving lease acquisition, the GSA specialist and agency develop a solicitation package specifying space requirements and related lease terms and conditions. In accordance with GSA's policy of promoting competition, GSA leasing personnel then

- advertise the Government's interest in acquiring leased space,
- survey possible locations to determine their suitability and acceptability,
- submit the solicitation package to lessors of those locations which are suitable and acceptable, and
- evaluate competing offers and award the lease to the lessor whose offer best serves the Government's interests in terms of price and other factors.

GSA's stated goal for meeting an agency's space request is 6 months or less. Within that time frame, its stated goal for completing a lease award is 4 months or less.

PROPOSED LEGISLATION AFFECTING ISSUES  
ADDRESSED IN THIS REPORT

At the completion of our review, legislation was pending in the 97th Congress which would change GSA's public buildings program and affect its efforts to meet agency space needs. Senate bill 533, which would replace the Public Buildings Act of 1959, was passed unanimously by the Senate on May 6, 1981. House bill 1938, which would amend and augment the 1959 act, was pending House approval. Both of these bills are successors to similar legislation introduced into the 96th Congress, but not enacted. Pertinent provisions of Senate bill 533 and House bill 1938 are described in chapters 2 and 5.

## WHY THE REVIEW WAS MADE

Federal agencies have complained about GSA's lack of timeliness in meeting their space needs for several years. As a result, agencies and members of the Congress have questioned GSA's role as a centralized service organization. Moreover, as a way of overcoming the problem, several agencies have asked the Congress for independent leasing authority or have requested a delegation of leasing authority from GSA.

Various internal and external studies indicate that GSA's performance has not been timely. In early 1978, for example, we reported that several large agencies were critical of GSA for its slowness in delivering leased space. 1/ More recently, the National Academy of Public Administration, in a report evaluating the entire range of GSA services, stated that the most constant and vociferous agency complaints about GSA involved space acquisition, management, and costs. According to the report, officials throughout the country expressed dismay over GSA's inability to meet space needs, its inordinate delays in acquiring space, and the deficiencies of the space GSA provided. 2/

We made this review to determine the extent of, reasons for, and effects of GSA's delays in meeting agency space needs and to identify actions needed to improve timeliness. Earlier, at the request of the Chairwoman, Subcommittee on Civil Service, House Committee on Post Office and Civil Service, we examined the problems experienced by two new Federal agencies--the Federal Labor Relations Authority and the Merit Systems Protection Board--in obtaining adequate space for their headquarters offices from GSA. In our December 5, 1980, report to the Chairwoman (LCD-81-14), we discussed several reasons for delays in meeting the agencies' space needs, but stated that we would make a separate review to examine GSA's lack of timeliness in greater detail before making any recommendations. This report presents the results of our review. It focuses on those actions GSA can take to help improve its service to agencies. It does not deal with the factors impeding timeliness over which GSA has no control nor does it deal with all aspects of the space management issue.

### OBJECTIVES, SCOPE, AND METHODOLOGY

We did fieldwork between November 1980 and June 1981 at GSA headquarters, Washington, D.C., and 3 of GSA's 11 regional offices--Region 1 (Boston), Region 9 (San Francisco), and the

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1/"More Flexibility Needed by the General Services Administration for Delegating Leasing Authority To Federal Agencies" (LCD-78-303, Jan. 9, 1978).

2/"Evaluation of the General Services Administration," The National Academy of Public Administration (Dec. 31, 1980) .

National Capital Region. We selected these three regions to provide contrast in the amounts of Federal office space controlled and to assure coverage of agency needs for field office, as well as headquarters, space. At the time of our field work, the three regional offices controlled a building space inventory of about 91 million square feet, of which 60.4 million square feet was office space.

<u>Region</u>	<u>Space inventory</u>		
	<u>Office</u>	<u>Other</u>	<u>Total</u>
	----- (million square feet) -----		
Boston	4.2	2.3	6.5
National Capital	44.0	18.6	a/ 62.6
San Francisco	<u>12.2</u>	<u>9.3</u>	<u>21.5</u>
Total	<u>60.4</u>	<u>30.2</u>	<u>90.6</u>

a/The large inventory space controlled by the National Capital Region reflects the region's responsibility for providing space for the headquarters of Federal agencies in Washington, D.C.

While we did no field work at the other eight GSA regions, studies and reports by GSA, GSA's Office of the Inspector General, and the National Academy of Public Administration showed that the problems and issues we found were occurring among all the regions. Therefore, we believe that our findings and conclusions are applicable to GSA nationwide.

We determined the extent of, reasons for, and effects of, delays by:

--Reviewing space requests that were completed as of September 30, 1980, or outstanding as of March 1981 and comparing their timeliness with GSA's stated goal for completing space actions.

--Analyzing in detail 15 space request cases that had been outstanding between 4 and 44 months at the time of our field work. We selected these cases based on our preliminary review of more than 350 space requests and on our discussions with space management officials at the GSA regions. Although the results of our preliminary review and detailed analyses of individual requests do not permit statistically valid generalizations, we believe they are representative of the problems and reasons for delays experienced by GSA in meeting agency space needs. (See app. II.) For each of the 15 cases, we examined working files and discussed reasons for delays with GSA's space



specialists and managers. We asked officials of these agencies their views on GSA's timeliness in providing space and the impact of delays on their operations. Furthermore, for five of the cases, we visited the agency offices to observe space conditions.

--Reviewing reports and studies by GSA, its Office of the Inspector General, and the National Academy of Public Administration on the time taken to complete lease awards, the reasons for lack of timeliness, and the effects of delays.

In addition, we obtained and examined data on rental rates and related lease-market conditions in major cities and interviewed representatives of the real estate industry in Boston, San Francisco, and Washington, D.C., to ascertain their views on GSA's leasing process and requirements.

To obtain information on the authority and scope of GSA's space management activities, we reviewed pertinent statutes and their legislative histories; GSA's operating plans, policies, regulations, and procedures; and space management data and financial statistics available from GSA headquarters or the regional offices. We also examined our reports on Federal space management and reviewed proposed legislation that would affect GSA's authority for Federal space management operations. We performed our work in accordance with our current "Standards for Audits of Government Organizations, Programs, Activities, and Functions."

## CHAPTER 2

### SHORTAGE OF GOVERNMENT-OWNED SPACE

Because of budgetary constraints, the limited resources available from the Federal Buildings Fund, and a lack of long-range planning, GSA's public buildings program has not been adequately supported for the past several years. Consequently, GSA has to rely primarily on leasing to meet agency space needs. However, as discussed in chapter 3, GSA has not been able to ensure timely delivery of leased space.

GSA recently provided the Congress with the first comprehensive long-range plan identifying public building needs, their priorities, and estimated costs. The long-term objectives of the plan are to increase the ownership of space and reduce dependence on leasing. If GSA's plan is to achieve its objectives, however, the Congress will have to supplement the resources of the Fund to permit construction of additional Government-owned space. The amount of supplementary funds will depend on the eventual impact of current efforts to reduce the Federal budget.

We believe that, where there are large concentrations of Federal activities in urban areas, a program for construction of additional Government-owned space is usually more economical than long-term leasing and is the most effective way to reduce delays in meeting agency space needs and the adverse impact of those delays on agency efficiency and effectiveness. Such a program would accelerate delivery of Government-owned space, reduce GSA's reliance on leasing, avoid substantial rental outlays in the future, and achieve consolidation of agencies or constituent parts of agencies at one location. Furthermore, Federal construction is more effective than leasing as a way to implement Federal socio-economic and life-safety policies and standards.

In our December 11, 1981, report (PLRD-82-18), we recommended that if the Congress wants the Fund to provide adequate funding for construction, it should either grant GSA authority to borrow from the Treasury or make direct appropriations to the Fund to augment its resources. House bill 1938 would facilitate acquisition of additional Government-owned space by authorizing GSA to borrow funds from the Treasury to finance construction projects. This bill and Senate bill 533 would also codify requirements for the long-range facility planning and reporting procedures that GSA has implemented.

### INSUFFICIENT FEDERAL CONSTRUCTION

Congressional committees have on several occasions expressed a preference for housing Federal agencies in Government owned rather than leased space and have tried in several ways to ensure adequate resources for meeting Federal construction needs. Between 1959 and 1971, GSA received about \$115 million a year

through direct appropriations for construction. This amount, however, was not sufficient to ensure timely completion of the construction projects which the Congress had already approved. In 1972, as a stop-gap measure to reduce the backlog of approved projects, the Congress granted GSA 3-year authority to enter into purchase contracts for financing acquisition of buildings.

Under its purchase contract authority, GSA borrowed \$1.3 billion from private investors and the Federal Financing Bank to construct and acquire 68 buildings, providing about 15 million square feet. Title to these buildings will be assumed by the Government when the 30-year purchase contracts expire. Meanwhile, GSA will continue to make periodic payments for principal, interest, and local real estate taxes. In addition to accelerating building construction, purchase contracting avoided some of the inflationary cost pressure on the backlog of approved projects and speeded delivery of additional Government-owned space.

Since fiscal year 1975, construction projects have been funded from the resources provided by the Fund. However, the Fund has not met its objective of providing adequate construction resources. Furthermore, until 1981 the problem of insufficient construction funds was compounded by a lack of long-range planning of public building projects.

#### Funding through the Federal Buildings Fund

In 1972 GSA anticipated that the Fund would provide \$300 million a year for capital expenditures, of which \$200 million to \$225 million would be available for construction. However, only \$442.2 million was available for Federal construction from fiscal years 1975 through 1980, an average of \$73.7 million a year. Expressed in 1972 dollars, this average equates to only \$47.1 million, <sup>1</sup>/ an amount far below GSA's expectations and even less than the \$115 million a year that was provided before the Fund was created.

In our December 11, 1981, report (PLRD-82-18), we stated that the Fund has experienced a cash-flow problem since its inception. Cash-flow demands of certain real property activities supported by the Fund (including major repairs and alterations, rental of space, and purchase contract payments) have prevented the Fund from providing adequate resources for construction. For example, while the Fund's expenditures for leased space have increased dramatically, leased space has generated little surplus for the Fund. Further, GSA's lease commitments and purchase contract payments must be serviced by the Fund before resources can be directed to construction.

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<sup>1</sup>/New obligational authority for construction in each fiscal year, 1975-80, adjusted by the implicit gross national product price-deflator index (1972 = 100).

## Lack of long-range planning

Under section 7 of the Public Buildings Act of 1959, as amended (40 U.S.C. 606), the Administrator of General Services is required to submit to the Congress a prospectus for each proposed public building construction, alteration, purchase, or acquisition project involving a total expenditure in excess of \$500,000 and for each proposed lease involving an average annual rental in excess of \$500,000. The act provides that, to ensure an equitable distribution of public buildings throughout the United States, no appropriation may be made for a proposed project or lease unless the prospectus has been authorized by the House Committee on Public Works and Transportation and the Senate Committee on Environment and Public Works. 1/

Until 1981 GSA was complying with the 1959 act by submitting prospectuses on a case-by-case basis throughout the fiscal year without an overall plan which identified project priorities or linked authorization with budgeting decisions. As stated in our September 9, 1980, report (PAD-80-95), this circumstance forced congressional authorization and appropriation committees into making decisions without all pertinent information and into authorizing projects without regard to the availability of funds.

As we stated on page 3, GSA now provides the Congress with a comprehensive facility plan which identifies proposed public building projects and leases. The Congress still authorizes proposed projects and leases on the basis of individual prospectuses, but GSA now submits the prospectuses as a package rather than individually throughout the year. In addition, prospectuses involving new leases now provide that initial congressional approval also authorizes GSA to exercise any renewal option contained in the leases. This eliminates the need for a separate prospectus for lease renewals. As illustrated by one of the space request cases described in appendix I (see p. 68), the need to obtain separate prospectus approval for lease renewals resulted in additional rental cost to the Government.

### PROJECTED NEED FOR AND ADVANTAGES OF ADDITIONAL GOVERNMENT-OWNED SPACE

At the completion of our review, the Congress had reduced fiscal year 1982 budget outlays by about \$35 billion. Efforts to reduce further growth in non-defense spending are expected to continue. These reductions may affect GSA's space management

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1/In a June 1980 letter to GSA, the Senate Committee on Environment and Public Works stated that its approval of a prospectus need not precede GSA's negotiation and execution of any lease, provided that GSA has obtained an appropriation sufficient to meet the Government's obligation under the lease. As a result, lease prospectuses are now authorized only by the House Committee.

operations in at least two ways. First, agency space requirements may decrease, thereby providing GSA with an opportunity to reduce its inventory of leased space and increase its consolidation of agency offices and operations. Second, user charge collections may be less, thereby reducing the income of the Fund and the funds available to construct Federal buildings.

Because the final magnitude of reductions in non-defense spending is not known, the full impact on agency space requirements and Fund resources is uncertain. However, based on recent administration pronouncements on anticipated reductions in civilian Federal employment, GSA estimates that the total amount of space it controls will decrease from 228.8 million to 225.7 million square feet for the period September 1980 to September 1993.

Despite this decrease, GSA projects a need for an additional 36.8 million square feet of Government-owned space by the end of 1993 to replace leased space. If granted borrowing authority, GSA plans to borrow about \$2.8 billion in long-term loans to supplement the public building construction resources of the Fund for fiscal years 1985 through 1992. GSA plans to repay the Treasury loans from Fund resources and expects the Fund to become self-supporting by fiscal year 1993.

#### Basis of need for additional Government-owned space

The need for the additional 36.8 million square feet of Government-owned space is predicated largely on a May 1981 study in which GSA compared the life-cycle costs of Government owned and leased space. The study was based on annual costs for comparable construction and lease projects in 126 geographic areas representing 84 percent of GSA-controlled office space. GSA used this cost data to develop a decision model for estimating the most cost-effective mix of Government owned and leased space in its inventory.

The study determined that the key factor in a construct versus lease decision is the "real" discount rate--that is, the difference between the market discount rate, as measured by the actual rate on Treasury bills, and the rate of inflation. In general, the study found an inverse relationship between the real discount rate and the most cost-effective inventory mix. The lower the discount rate, the higher the optimal ratio of Government owned to leased space. For example, a real discount rate of 8 percent indicates a cost-effective inventory mix of about 4 percent Government owned to 96 percent leased space. Conversely, a real discount rate of 1 percent indicates an optimal mix of about 90 percent Government owned to 10 percent leased space. Since the real discount rate has rarely exceeded 2.5 percent over the past 30 years, GSA concluded that the most cost-effective inventory

mix for public policy purposes was about 80 percent Government owned to 20 percent leased. 1/

Impact of direct appropriations or Treasury loans on Government owned space and rental outlays

Direct appropriations or Treasury loans supplementing the Fund's resources would speed delivery of needed Government-owned space in a manner similar to GSA's 3-year purchase contract program (see p. 9 for further details), permit faster realization of the optimal inventory mix, and avoid substantial outlays for leased space. With supplemental resources totaling \$2.8 billion, GSA estimates that by the end of fiscal year 1993, it could

- deliver 36.8 million square feet of additional Government-owned space instead of only 12.6 million square feet,
- increase the ratio of Government-owned space in its inventory to 79.4 percent instead of 70.9 percent, and
- reduce the outlays for leased space from \$13.37 billion to \$12.04 billion.

Advantage of Government-owned space for implementing socio-economic and life-safety policies and standards

As discussed in chapter 3, the Congress has enacted several laws to promote social and economic policies through the Federal procurement process. Also, GSA has adopted certain life-safety standards to assure a safe working environment for Federal employees. However, these policies and standards, when applied

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1/There is some controversy over the appropriate discount rate for comparing the present-value costs of Federal construction and leasing. The comparisons that GSA makes for individual project proposals have been driven by the assumptions and procedures of Office of Management and Budget Circular A-104 (June 14, 1972). This circular prescribes a discount rate of 7 percent which represents an estimate of the internal rate of return on general-purpose real property leased from the private sector, exclusive of property taxes and expected inflation. As such, the 7-percent rate does not represent actual cost to the Government, but denotes an opportunity cost to society as a whole implicit in the transfer of resources from the private to the public sector. While arguments can be marshalled in support of the opportunity cost concept, we have consistently believed that the appropriate discount rate for comparing the costs of Federal construction with leasing is the actual cost to the Government, as measured by the interest rate on U.S. Treasury obligations.

in a leasing situation, can limit the availability of space, delay space acquisition, and reduce competition for awards, especially when market conditions are tight and property owners can lease to commercial customers with less demanding leasehold requirements. While leasing entails procedures similar to those used in general procurement, contracting for Government-owned space provides a measure of control over building location, design, and operations that leasing rarely can match. A program for construction and acquisition of Government-owned space would be more effective than continued reliance on leasing for implementing socio-economic and life-safety policies and standards.

PROVISIONS OF PENDING LEGISLATION  
ON FINANCING AND PLANNING OF GSA'S  
CONSTRUCTION PROJECTS

House bill 1938 would supplement Fund resources for the purpose of financing public building construction and acquisition projects by authorizing the Administrator of General Services to issue obligations for purchase by the Secretary of the Treasury, to the extent and in such amounts as are provided in annual appropriation acts, to obtain funds necessary to finance construction and acquisition projects. It would also require repayment of such obligations of up to 30 years and on such conditions as may be prescribed by the Secretary, taking into account the average market yield on outstanding U.S. marketable securities of comparable maturity and the useful life of the building for which the funds are borrowed. In no event would repayment begin before the building is ready for occupancy.

Senate bill 533 originally contained a similar provision which authorized borrowing from the Treasury. However, because of the administration's plans to reduce direct borrowing from the Treasury by all Federal agencies, the Senate eliminated the provision before it passed the bill. Still, the bill would establish the policy that long-term economies would be realized if no less than 60 percent of the Federal employees GSA houses were provided with Government-owned space within 10 years after the bill became law. Currently, 53 percent of the Federal work force housed by GSA occupies Government-owned space. GSA estimates that the ratio would increase to 69 percent by 1991 if the Fund were supplemented by GSA's proposed \$2.8 billion.

Senate bill 533 and House bill 1938 would require GSA to submit each year a long-range facility plan, like the one GSA provided in 1981 (see p. 8), which lists the proposed public building projects and leases and their estimated costs. The bills seek to ensure comprehensive, rather than piecemeal, reviews and authorizations of projects and leases proposed for the forthcoming fiscal year. The Senate bill would eliminate congressional authorization on the basis of individual prospectuses. The House bill would retain the requirement for prospectus authorization, but would require GSA, except in extraordinary circumstances, to

submit all prospectuses as a package with the annual facility plan. The House bill also would raise the prospectus threshold from \$500,000 to \$1 million immediately and authorize further adjustments in each succeeding year based on inflation. 1/

### CONCLUSIONS

A program for construction of additional Government-owned space would enable GSA to

- accelerate delivery of needed Government-owned space in a manner similar to its successful purchase contract program;
- more fully conform to congressional committee preferences, expressed on several occasions in the past and reaffirmed by Senate bill 533 and House bill 1938, to rely on Government owned rather than leased space for housing Federal agencies;
- achieve a more cost-effective ratio of Government owned to leased space in its inventory;
- avoid substantial outlays for leased space in the future;
- implement more effective socio-economic and life-safety policies and standards; and
- achieve consolidation of agencies or constituent parts of agencies at one location.

We have already recommended that if the Congress wants the Fund to provide adequate resources for construction, it should either authorize GSA to borrow from the Treasury or make direct appropriations to augment the Fund. The precise amount of GSA's borrowing or direct appropriations will depend on how much agency space requirements and Fund income are decreased as a result of current efforts to reduce the growth of the Federal budget.

We are aware that the administration, because of current budgetary restraints, is not receptive to Treasury loans or increased appropriations for the purpose of acquiring Government-owned space. Therefore, the timing of supplementary funding may

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1/GSA has suggested that the prospectus threshold be based on square footage rather than dollar value. This would avoid the need to adjust the threshold annually for inflation as proposed by House bill 1938. (See app. IV.) When the prospectus authorization requirement became law in 1972, the \$500,000 threshold equated to about 100,000-125,000 square feet of space. As a result of inflation, the \$500,000 figure today requires prospectus approval for projects and leases involving much less than 100,000 square feet.



have to be delayed to whenever the need for budgetary restraint is deemed less severe. Of course, the longer the Congress delays, the longer it defers the benefits of additional Government-owned space.

## CHAPTER 3

### EXTENT OF, AND REASONS FOR, DELAYS

#### IN MEETING AGENCY SPACE NEEDS

Because of GSA's delays in meeting space requests, Federal agencies have complained repeatedly that GSA has not been responsive to their space needs. In many cases, GSA has not achieved its stated goal of completing space requests within 6 months and has taken longer than 1 year to meet agency space needs. There are many reasons for delays, any number of which may occur in any given case. Delays have occurred because of shortages of suitable and available space, moratoriums or freezes on funding of new leases, lessor refusals to accept Federal lease conditions, and GSA-agency disagreements over space management policy. Delays also have occurred as a result of turnover and inexperience of GSA's personnel, agencies changing their space requirements, GSA's staff failing to coordinate their space request actions, and events extraneous to the space request process. The reasons for delays stem mostly from the basic condition that there is insufficient federally owned space and GSA has to rely on leasing to meet agency space needs. Although leasing should not cause untimely service, GSA's performance in delivering leased space has deteriorated mainly because

- certain lease policies, standards, and procedures have prolonged and complicated GSA's leasing process,
- the increased use and complexity of leasing have not been accommodated with adequate increases in GSA's staffing and related leasing program resources, and
- the lease market in several cities, where GSA is leasing, is extremely tight.

Because of these conditions, GSA has taken an average of 9 months to complete lease awards, compared with its stated goal of 4 months. Furthermore, competition for GSA's leases has been reduced and holdover tenancies--situations in which leases have expired and the Government continues to occupy the space without contracts--have become common.

#### TIMELINESS IN MEETING AGENCY NEEDS FOR NEW OR EXPANSION SPACE

Our analysis of agency requests for new or expansion space at three GSA regions showed that these regions frequently took longer than GSA's goal of 6 months to meet agency requests. For example:

- In Boston, about 20 percent of the fiscal year 1980 requests took between 6 months and 1 year to complete and about 33 percent took more than 1 year to complete.

--In San Francisco, about 20 percent of the fiscal year 1980 requests took between 6 months and 1 year to complete, while 29 percent took more than 1 year to complete.

--In the National Capital Region, of the 138 requests outstanding as of March 15, 1981, 37 percent had been pending between 6 months and 1 year, while 20 percent had been pending for more than 1 year.

#### Types of space requests analyzed

GSA classifies agency space requests by several types, including:

- New or expansion space. Includes requests for (1) new space that is not associated with an agency's existing space assignment, (2) additional space that is associated with an agency's existing assignment, but cannot be met with contiguous space, and (3) additional space associated with an agency's existing assignment that can be met with contiguous space.
- Continuing requirements. Includes requests involving a succeeding lease, a lease extension, or a renewal of an existing lease with no change in an agency's space requirements.
- Relocation. Includes requests that require the relocation of agencies with no change in space requirements. Examples are a forced move to accommodate another agency's space needs or a move to Government-owned space at the expiration of a lease.
- Other types. Includes requests involving (1) partial or total termination of an agency's space assignment that will not be renewed in the same community, (2) relocation of an agency to a new building to be constructed or totally renovated, and (3) alterations within existing space.

GSA has not collected and maintained statistics on the various types of space requests. Consequently, GSA did not know how many agency requests it had nationwide, the square footages involved in and the types of those requests, or the timeliness with which requests were being met. However, at the end of our review, GSA was attempting to implement a data system which, when fully operational and validated, should provide these statistics on a national and regional basis.

At the Boston and San Francisco regions, we selected, at random, agency requests for new or expansion office space that were completed in fiscal year 1980 to determine how frequently the regions were meeting the 6-month goal. It is this type of request

which has been associated with agency frustration and complaints about delays in GSA's performance as a service organization. The chart below shows the size of the populations and our samples, the percentages of sample requests that fell within the 6-month goal and those exceeding the goal, and the selected statistics concerning the average time taken to complete the sample requests and the amount of space requested. Our sample sizes provided estimates for each percentage value within 5 percent (plus or minus) of the true value for the population of agency requests at a 95-percent level of statistical confidence.

Timeliness in Completing Agency Requests for  
New and Expansion Office Space in Fiscal Year 1980  
for GSA Regions 1 and 9

	Region 1 (Boston)		Region 9 (San Francisco)	
	<u>No.</u>	<u>Percent</u>	<u>No.</u>	<u>Percent</u>
6 months or less to complete request	61	47.3	43	32.4
More than 6 months but less than 1 year to complete request	26	20.2	26	19.5
More than 1 year to complete request	42	32.5	38	28.6
Other (note a)	-	-	<u>26</u>	<u>19.5</u>
Total (note b)	<u>129</u>	<u>100.0</u>	<u>133</u>	<u>100.0</u>

a/Includes cases in our sample that were found not to meet selection criteria, including 11 cases involving administrative action only, such as a change in user charges; 10 cases for lease renewal without new or expansion space; 4 cases for other than office space; and 1 case that was still open. The 26 cases are omitted from the statistics on the average time taken to complete, the range, and the amount of space requested.

b/Although our sample included 129 for Boston and 133 for San Francisco, the number of requests in the population was 189 for Boston and 204 for San Francisco.

The mean time 1/ to complete sample requests for the Boston region was 9.5 months, and the range to complete the region's requests was from less than 1 month to 40 months. The mean time to complete the San Francisco region's requests was 10.7 months, and its range was from 1 month to 44 months. The median times 2/ for the Boston and San Francisco regions' sample requests were 6.4 months and 8.5 months, respectively. In reference to the total amount of space each region requested, the Boston region asked for 274,999 square feet or a median of 700 square feet, and the San Francisco region asked for 221,782 square feet or a median of 1,000 square feet.

Sufficient data was not available at the National Capital Region to perform a comparable analysis of completed fiscal year 1980 space requests. However, as of March 15, 1981, the National Capital Region had 138 space requests outstanding. Of that total, 59 requests, or 42.8 percent, had been pending for 6 months or less, 51, or 37 percent, had been pending between 6 months and 1 year, and 28, or 20.3 percent, had been pending for more than 1 year. Overall, the mean time was 8.6 months and the median was 6.6 months. The median amount of space requested was nearly 6,000 square feet, a figure much larger than the median in the Boston and San Francisco regions.

#### GSA CONTINUES TO RELY ON LEASING

Without sufficient construction resources available from the Fund, GSA has continued to rely on leasing for meeting agency space needs. When the Fund began operations in 1975, 47 percent of the office space GSA controlled was leased rather than Government owned and 47 percent of the employees GSA housed occupied leased rather than Government-owned space. As of June 1981, the figures were essentially unchanged, standing at 48 and 47 percent. Over the past 6 years, GSA has increased its inventory

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1/Computed by dividing the total months taken to complete all sample requests by the number of requests in the sample.

2/Represents the value for the time taken to complete below which one half of the sample requests fell and above which the other half fell. The median is less affected than the mean by sample requests that were outstanding for an exceptionally long time.

of leased office space at a faster rate than its inventory of Government-owned office space, as shown in the following chart.

Occupied office space (square feet)

	<u>1975</u>	<u>Percent of total</u>	<u>1981</u>	<u>Percent of total</u>	<u>Increase</u>	<u>Percent of total</u>
	(millions)		(millions)		(millions)	
Government owned	69.1	52.7	73.9	52.0	a/ 4.8	44.0
Leased	<u>62.0</u>	47.3	<u>68.1</u>	48.0	<u>6.1</u>	56.0
Total	<u>131.1</u>		<u>142.0</u>		<u>10.9</u>	

a/Part of this increase was financed with borrowings under GSA's purchase contract program.

Furthermore, between 1975 and 1981, new obligational authority for GSA's rental payments increased from \$392 million to \$681 million, an average annual growth rate of 9.6 percent. If this rate of growth continues, annual rental outlays will exceed \$1 billion within 5 years.

Today, GSA renews about 80 percent of its leases. In effect, leasing has become a long term instead of a short term solution for housing Federal agencies. Also, GSA is relying on leasing during a time of tight market conditions in several major cities where vacancy rates are low, rental rates are rising rapidly, and shortages of suitable office space are occurring.

Tight market conditions

In Boston, San Francisco, and Washington, D.C.,--three major cities where GSA competes for leased space and where we did our fieldwork--we obtained data from realty firms and organizations regarding the availability of office space and the level of rental rates. In addition, we reviewed published data on office space availability in other major cities. This data shows that the lease market in several major cities has become extremely tight and is expected to remain tight at least through 1983. As a result, rental rates are expected to continue to escalate rapidly.

Data compiled by Coldwell Banker, Spaulding and Slye Corporation, the Building Owners and Managers Association, and GSA show that:

--In greater Boston, the office space vacancy rate declined from 13.6 percent in October 1977 to 3.3 percent in

October 1980. As of March 1981, the vacancy rate within Boston's central business area was 1.4 percent. Between January 1980 and January 1981, the average rental rate for office space increased by over 40 percent due to both inflation and demand. Spaulding and Slye predicts that the low vacancy rate and rapid escalation in rental rates will continue through 1985.

--In San Francisco, the vacancy rate declined from 8.9 percent in October 1977 to 2.3 percent in May 1980 and, within the central business area, stood at only 0.1 percent as of March 1981. Coldwell Banker predicts that the market will remain increasingly tight through 1983 and that space currently leased at \$24 to \$35 per square foot will cost \$35 to \$45 by 1983.

--In Washington, D.C., the vacancy rate was below 1 percent during the past 3 years and was 0.1 percent as of March 1981. According to Coldwell Banker, space leased at \$16 to \$18 per square foot in 1980 will increase to \$30 to \$32 in 1983. GSA estimates that the demand for leased space in this area has exceeded supply by 500,000 to 1 million square feet a year and that the shortage will increase to 2 million square feet in 1982. According to GSA, lease costs increased at an average rate of 12 to 15 percent a year between 1970 and 1981, rising from \$6 to \$24 per square foot. GSA expects that leased space will cost \$30 to \$35 per square foot by the mid-1980s.

The central business areas of other major cities are experiencing similar tight markets. For example, in New York, the vacancy rate in mid-town Manhattan was 3.6 percent as of May 1981, and rental rates had reportedly increased between 50 and 80 percent within the past year. According to a national survey by Coldwell Banker, the vacancy rate in the central business areas of Denver, Los Angeles, Miami, and Houston ranged from 0.1 percent to 2.2 percent as of March 1981. 1/

#### PROBLEMS IN GSA'S LEASING PROGRAM

GSA's performance in delivering leased space has deteriorated. On the average, it has taken GSA 9 months to complete lease awards. Based on the comments of realty industry representatives we interviewed, the findings of GSA's ad hoc leasing committee, a recent report by GSA's Office of Inspector General, and our review of selected agency space requests, the delays in delivering leased office space resulted mainly from:

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1/"Barron's" May 4, 1981, pp. 12 and 16.

- Stringent lease requirements. GSA must comply with various Federal statutes, policies, and standards that are intended to serve social, economic, or life-safety objectives. These requirements complicate and prolong the leasing process, aggravate tight market conditions, and reduce competition for GSA's leases.
- Multiple layers of review and sources of policy. Because of improprieties unrelated to the leasing program, GSA adopted administrative oversight procedures which entail multiple reviews of lease solicitations and awards. Several GSA offices also issued leasing policies without adequate coordination and implementing guidance.
- Insufficient resources. The increased use and complexity of leasing have not been accommodated by adequate increases in leasing staff and resources. According to a GSA report, GSA's leasing staff has experienced an extraordinary attrition rate because of frustration and disillusionment with the leasing program.
- Budgetary constraints. Occasionally, GSA placed freezes on new lease commitments which precluded timely action on agency space requests.

#### GSA's lease requirements

The seemingly straightforward process for handling agency space requests that we described on page 3 is in practice complicated by several requirements unique to Federal space management. In acquiring space, GSA must consider the following Federal laws, policies, and regulations to promote social, economic, and life-safety objectives.

- Historic preservation. Under the Public Buildings Cooperative Use Act of 1976 (P.L. 94-541), GSA gives first priority to locating agencies in buildings which are included or are eligible for inclusion on the National Register of Historic Places.
- Handicapped access. Under the Architectural Barriers Act of 1968 (P.L. 90-480), space acquired or altered by GSA after August 12, 1968, must comply with certain standards to ensure accessibility by handicapped persons.
- Small business subcontracting plan. Under amendments to the Small Business Act (P.L. 95-507) and implementing regulations issued by the Office of Federal Procurement Policy, GSA's lease contracts over \$10,000 contain a clause that requires the lessor to make a conscientious effort to award subcontracts to small business firms to ensure that they have the maximum practical opportunity



to participate in the performance of Government contracts. Further, a similar provision must be included in GSA's solicitations for negotiated leases that are expected to exceed \$500,000.

--Limitation on annual rent. Under section 322 of the Economy Act of 1932 (40 U.S.C. 278a), the annual rent that the Government may pay is generally limited to no more than 15 percent of the appraised fair market value of the property at the date of the lease.

--Urban policy. Under Executive Order 12072, GSA, until recently, gave first priority to locating agencies within the central business area when space was required in an urban center. Application of this urban policy is under suspension pending a review and further action by the Office of Management and Budget.

--Fire safety. Under national codes adopted by GSA, GSA must ensure that buildings conform to certain fire-safety standards. In addition, within GSA Region 9 (San Francisco), buildings must conform to certain seismic (earthquake) safety standards.

In addition to the above-mentioned requirements, GSA considers vending facilities operated by the blind, availability of adequate housing for low and middle income Federal employees, prohibition against buildings located in flood plains and wetlands, lessor compliance with Federal energy conservation, equal employment opportunity, and clean air and water regulations and standards. Further, as previously discussed, GSA must submit a prospectus for each lease when then average annual rental exceeds \$500,000.

The amount of time to administer these requirements and to complete internal reviews varies depending on the size and scope of a lease award. In a December 1980 report, the National Academy of Public Administration estimated that GSA needs about 238 working days to complete an award, considering each of the steps GSA follows in its leasing process, except prospectus submission and approval. Of the total days, about 123 days were attributed to administration of socio-economic and life-safety requirements and completion of internal reviews. The remaining days were attributed to following competitive award procedures, working with the customer agency, and preparing acquired space for occupancy. 1/

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1/"Evaluation of the General Services Administration," National Academy of Public Administration (Dec. 31, 1980), pp. 99-101.

## Industry views on GSA's leasing

To obtain views of the realty industry on GSA's leasing process and requirements, we talked with representatives of four building owners, six real estate brokerages, and the Building Owners and Managers Association in Boston, San Francisco, and Washington, D.C. Each of the owner and brokerage representatives had experience in leasing to GSA.

Industry representatives stated that GSA's leasing process takes too long. More importantly, they stated that GSA's socio-economic and fire-safety requirements, when coupled with tight lease-market conditions, limit competition. For example, they said that many old buildings do not qualify for lease award since GSA's fire-safety standards are based on national rather than local codes. Further, it may not be cost-effective for a property owner to make necessary alterations, particularly when the Government intends to occupy only part of a building. For the same reasons, owners of buildings that do not meet GSA's handicapped access standards may eschew GSA's leases.

One realty representative stated that GSA had rejected an offer partly because his firm failed to agree with the requirement to negotiate a small business subcontracting plan. According to the representative, the firm decided that the time and effort needed to meet the requirement were not reasonable and realistic.

Some of the representatives stated that GSA is not fully competitive with commercial lessees because it pays rent in arrears and because the rent does not fully cover cost increases caused by inflation. Under current market conditions, many commercial leases include escalation provisions that protect the lessor from inflation. Although GSA's leases include escalation or pass-throughs for annual increases in operating costs and taxes, the Economy Act limitation on annual rent restricts the amount of inflationary protection that GSA can provide.

## Problems found by GSA's leasing committee

In October 1980 the Administrator of General Services established an ad hoc leasing committee, comprised of representatives from headquarters and regional offices, to recommend ways to improve timeliness in delivering leased space. The Administrator took this action because it was evident that GSA's performance in leasing space was deteriorating and that agency frustration over delays was growing.

In its December 1980 report, the ad hoc committee cited trends in leasing which demonstrated deteriorating performance. For example, it reported that the average time for delivering space was 280 days (9 months) and if conditions did not improve

the lead time would increase to more than 1 year. It also stated that, between 1977 and 1980, the average age of outstanding lease actions increased from 141 days to 241 days, in spite of GSA's stated goal of completing lease awards within 120 days. Furthermore, holdover tenancies, which were virtually nonexistent until 1977, totaled 119 in 1979 and 184 in December 1980. The committee also found that leasing personnel had become frustrated and demoralized, resulting in an increased rate of attrition. For example, the attrition rate among leasing specialists increased from 11 percent in fiscal year 1975 to 31 percent in fiscal year 1980. In general, the committee concluded that the entire leasing process was stuck on a treadmill, with property owners losing interest in dealing with GSA, competition in lease acquisition being inhibited, agencies growing frustrated, and leasing personnel becoming disenchanted.

The symptoms of decreased performance reported by the ad hoc leasing committee were evident during our review. As of March 1981, the average age of pending lease actions was 7.9 months in Boston, 8.2 months in San Francisco, and 8 months in the National Capital Region, compared with the GSA-wide average of 7.9 months cited by the ad hoc committee. Furthermore, the number of holdover tenancies totaled 20 in Boston, 35 in San Francisco, and 71 in the National Capital Region. During fiscal year 1980, the attrition rate among the leasing staff in the National Capital Region exceeded 40 percent. In the Boston region, the rate was a comparatively modest 17 percent, but one-third of the leasing specialists on board at the time of our review were trainees. In the San Francisco region, the attrition rate decreased from 50 percent in fiscal year 1979 to about 7 percent in fiscal year 1980. As of March 1981, 10 of the 14 nonsupervisory members of the San Francisco region's professional leasing staff had less than 3 years' experience, the amount which regional officials considered necessary for a specialist to become proficient.

The committee attributed GSA's deteriorating performance to:

- A dramatic increase in the complexity of the leasing process, stemming partly from the requirements of the various socio-economic and fire-safety policies and standards.
- Significant increases in the numbers and levels of review as a result of procurement improprieties that had occurred in other GSA programs.
- Confusion at the operating level due to multiple sources of leasing policy.
- Inadequate resources. The number of leasing specialists increased by less than 7 percent, from 131 to 140, between

1976 and 1980. Moreover, because of the high attrition rate among specialists, the median experience level in 1980 was only 18 months compared with about 36 months among professionals in other GSA programs.

#### Fast-track leasing program failure

GSA's Office of Inspector General, after a nationwide review of GSA's "fast-track" leasing program, reported many of the conditions and reasons for delays the ad hoc committee had. Begun in 1977, the program originally applied to new lease actions involving 2,500 square feet or less. However, in 1978 the threshold was raised to 5,000 square feet or less. The basic concept of the fast-track program was that small lease awards could be completed within 60 days by streamlining procedures and focusing on certain essential steps to encourage competition. The essential steps <sup>1/</sup> were to be completed by the leasing specialist during a single field trip. GSA believed that timely award of small leases would allow its staff to devote more time to larger, more complicated leases. Leases for 5,000 square feet or less comprise nearly 59 percent of all GSA leases, but represent about 10 percent of all GSA-leased space and 7 percent of annual rental outlays. GSA also believed that the program would instill a service-oriented attitude among its staff and customers.

In its February 1981 report, the Office of Inspector General concluded that the program was failing to meet the goal of completing small lease awards within 60 days and, indeed, was not expediting the award process at all. Instead of 2 months, the average time to complete awards was about 9 months. Moreover, holdover tenancies, once viewed as a sign of incompetency, were common and were being treated as simply another option available to the Government when dealing with expiring leases. Among the reasons for delays cited by the Inspector General were

- strict and inflexible interpretations of socio-economic and life-safety requirements that were time-consuming to administer, reducing competition, and increasing rental costs;
- shortages of available and acceptable leased space;
- multiple layers of administrative review;

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<sup>1/</sup>Includes market survey to identify potential locations and inform property owners of the Government's requirements, negotiations with qualified offerors, appraisal of property value to assure compliance with the Economy Act limitation on annual rent, and award of the lease.

--staff turnover and inexperience; and

--funding constraints, including freezes on commitments for new or expansion leased space.

#### CASES ILLUSTRATING REASONS FOR DELAYS

In appendix I we describe seven space request cases to illustrate how insufficient Federal construction and GSA's reliance on leasing, as well as other factors, resulted in lengthy delays in meeting agency space needs, condemnation of privately owned property for Government use, and other adverse effects. In particular the cases show how:

--A lack of Government-owned space and a shortage of suitable space in a tight lease market, combined with a backlog of competing space needs and a high turnover of personnel, resulted in a 2-1/2 year delay in providing space for the headquarters offices of the Federal Labor Relations Authority.

--GSA's life-safety standards reduced competition for lease award and, combined with a lack of lease funds, resulted in a delay of more than 2 years in meeting the space request of a Federal Labor Relations Authority regional office.

--A lack of Government-owned space and agency objections to GSA's short-term solution for providing expansion space resulted in a 2-year delay in meeting a request of the U.S. Bankruptcy Court.

--A disagreement between GSA and an agency over the importance and sensibility of the central business area policy, a lessor's refusal to negotiate a small business subcontracting plan, and personnel turnover and inexperience resulted in a holdover tenancy for the Securities and Exchange Commission and a delay of 18 months in meeting the Commission's request for expansion space.

--A critical shortage of leased space and the difficulty of forcing agencies to relocate from prime office space resulted in GSA condemning private property and a delay of more than 4 years in meeting a Secret Service's request for consolidated space.

--The lack of an approved prospectus, coupled with a lessor's refusal to provide a small business subcontracting plan, resulted in a holdover tenancy for the Social Security Administration and additional rental costs to the Government.

--A lack of Government-owned space and a space shortage exacerbated by handicapped access standards and the central business area policy, combined with a lack of timely administrative action and staff inexperience, resulted in GSA taking 9 months to lease new space for offices of the Department of Labor and the Small Business Administration.

We also cite examples of delays caused or exacerbated by (1) agencies changing their space requirements or not providing needed information to GSA on a timely basis, (2) inadequate documentation and coordination by GSA's personnel, and (3) a freeze on GSA's furniture procurements. The illustrative cases and examples were selected from space requests that were outstanding at the Boston, San Francisco, and National Capital regions.

#### CONCLUSIONS

No single reason fully accounts for why GSA frequently takes longer than its stated goal of 6 months to meet agency space needs. It is clear, however, that the reasons for delays have been precipitated by insufficient Federal construction and the need to rely on leasing. Substantial delays have occurred because the leasing process has become complicated and the increased complexity has not been accommodated with sufficient increases in staff resources. To be sure, delays have been caused or exacerbated by reasons that appear unrelated to insufficient Federal construction and reliance on leasing. For example, agencies sometimes change their space requirements and are not always timely in providing complete requirements data. Also, GSA's personnel sometimes fail to coordinate their space actions and do not always maintain complete records. And extraneous events, such as a freeze on GSA's furniture procurements, can upset the best-laid plans. (See p. 70.)

## CHAPTER 4

### IMPACT OF DELAYS ON AGENCY OPERATIONS

Delays in meeting agency space needs result in more than complaints about GSA's lack of timeliness to the Congress and to others. Our review of agency reports and selected cases showed that agency operations were adversely affected by duplicative services, excessive staff commuting, reduced productivity, diminished service to the public, and low staff morale. The dollar costs of these effects are not known, but GSA and agencies agree that the costs can be substantial.

#### EFFECTS OF DELAYS ON AGENCY EFFICIENCY AND EFFECTIVENESS

Delays in meeting space needs can adversely affect agency operations in several ways. For example, as discussed in appendix I, the U.S. Bankruptcy Court, Providence, Rhode Island, filed a law suit against GSA alleging that the lack of suitable space seriously jeopardized the Court's ability to carry out its mission. As discussed below, one of the more substantive effects of delays is the additional costs an agency incurs when it has to maintain and operate offices at dispersed locations. In addition, delays have adversely affected agency productivity, service to the public, and staff morale.

#### Costs of dispersed office locations

One of GSA's principal objectives is to consolidate an agency's offices and its constituent parts at a single location to provide more efficient administration and to avoid duplicative space requirements and support services. In the absence of a long-term public building construction program, however, GSA, in many cases, has not been able to provide consolidated space, and agencies have been left to operate from several dispersed office locations.

Among the 15 space request cases we analyzed, three agencies--the Federal Labor Relations Authority, the Department of Housing and Urban Development, and the Secret Service--requested space to permit consolidation of their Washington, D.C., offices. Each agency was operating from four to five dispersed locations and, as a result, was incurring duplicative costs to maintain administrative services and equipment. In the case of the Department of Housing and Urban Development, commuting expenses included the cost of operating and maintaining a shuttle bus service.

The three agencies were not able to provide specific cost data, but they insist, and GSA officials recognize, that the costs of duplicative services and staff commuting are substantial. According to a 1977 Nuclear Regulatory Commission study,

which was prepared to support the Commission's request for consolidation, the direct costs of operating from its nine dispersed locations and the savings to be derived from consolidation were \$4.9 million a year.

The Commission also cited significant intangible effects of dispersion that included the inefficiencies of having numerous staffmembers at all levels in transit between office locations and low staff morale resulting from working at isolated satellite locations. In a January 15, 1980, report (EMD-80-17), we stated that the Commission's dispersed locations had an adverse impact on its efficiency.

#### Other adverse effects

In some cases we reviewed, delays directly affected agency productivity or the quality of service to the public. For example:

--At a Social Security office in San Francisco, a delay in securing a long-term lease agreement prevented alterations needed to expand computer operations and improve office productivity.

--At the Defense Contract Administration Services Region, Los Angeles, a delay in securing a lease agreement prevented alterations to the air-conditioning and electrical systems. As a result, productive time was lost because of computer "down time."

--At a Social Security field office in Los Angeles, delays in providing expansion space resulted in overcrowding and in some clients conducting their business at a different field office, necessitating a transfer of client records between offices.

In other cases, delays forced high-level officials to work on office space problems. For example, the Director of Administrative Services, U.S. Metric Board, spent about 60 percent of her time on office space problems during the 2-1/2 years that the Board's request for expansion space was pending at GSA's National Capital Region, although the Director was also responsible for accounting, personnel, and procurement operations. The Board's executive director also was diverted from his primary responsibilities to deal with the Board's space needs. The Director of Administration, Federal Labor Relations Authority, estimated spending from 50 to 70 percent of his time on space problems during the past year while the Authority's request for consolidated headquarters space was outstanding. Other high-level Authority officials, including the agency's director, also spent time trying to resolve space problems.

Delays also disrupted agencies' planning activities. The Metric Board ordered and paid for office furniture based on



GSA's offer of additional space to meet the agency's request. When GSA withdrew its offer and assigned the space to another agency accorded higher priority, the Board was left with furniture that it could not use and had to store. Similarly, at the Federal Labor Relations Authority, furniture procurement was disrupted when GSA withdrew an offer to consolidate the Authority's headquarters. Furthermore, at the Department of Housing and Urban Development, a delay of more than 4 years in providing consolidated headquarters space frustrated efforts to implement an internal reorganization plan for improving agency operations.

In addition, officials of the Federal Labor Relations Authority, Merit Systems Protection Board, Veterans Administration, and the Department of Housing and Urban Development said that due to:

- Insufficient office space and special-purpose facilities (conference rooms, libraries, and hearing rooms), agency personnel were forced to double up in offices and to use available space for multiple purposes, such as a combined conference room and library. Further, personnel lacked privacy to discuss confidential matters with clients and Government officials and had to borrow or rent special-purpose space for hearings or training sessions.
- A lack of sufficient storage space, confidential records were stored on desks, tables, and the floor without adequate security.
- Insufficient space, at one of the agencies, authorized staff could not be hired.

Some of the agencies believed their credibility with the public was impaired as a result of the cluttered, unprofessional appearance of their offices. In addition, several agencies believed that those same conditions were demoralizing to their staffs. At the Federal Labor Relations Authority, for example, the lack of space for conducting confidential business was a frequent source of complaint by legal professionals. According to the Authority, morale was also hindered by the physical separation of supervisors and subordinates resulting from dispersion of agency headquarters among four office buildings. Morale problems stemming from insufficient space also were cited by the Merit Board, Department of Housing and Urban Development, Merit Systems Protection Board, and Veterans Administration.

The photographs and accompanying narratives on the following pages and in appendix I (p. 56) illustrate the types of space conditions which agencies believe have affected their efficiency, effectiveness, and staff morale and have caused the agencies to complain about GSA's timeliness and quality of space management services.

Figures 1 and 2  
Department of Housing and Urban Development  
Washington, D.C.

These photographs show the exterior and interior arrangements of 1 of 18 work stations converted from a former conference room in the Department's main headquarters. The agency official, a GS-15 nonsupervisory employee, is entitled to 150 square feet of office space under GSA's space allocation guidelines. However, he occupies about 100 square feet and clearly lacks adequate storage space. Because the Department uses the conference room to provide general-purpose office space, it does not have adequate permanent space for conducting major training sessions or conferences. Consequently, it must borrow facilities from other agencies or rent rooms from local hotels.



FIGURE 1 - DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, WASHINGTON, D.C.

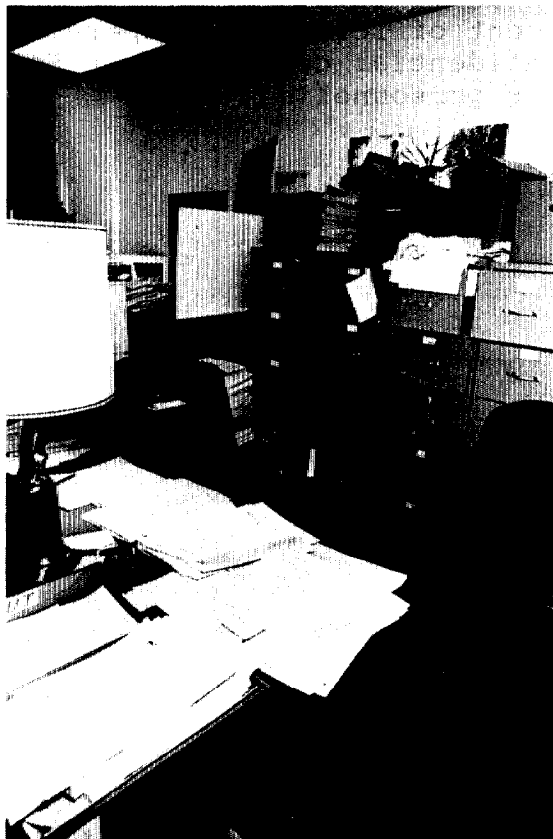


FIGURE 2 - DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, WASHINGTON, D.C.

Figure 3  
Department of Housing and Urban Development  
Washington, D.C.

The office in this photograph is occupied by a GS-14 supervisory employee, a GS-13 nonsupervisory employee, and a GS-7 trainee. Under GSA's space allocation guidelines, this staffing arrangement calls for about 400 square feet of office space. The space actually totals about 200 square feet. According to a Department official, the supervisor lacks adequate space to conduct confidential counseling on Equal Employment Opportunity and other personnel matters.



FIGURE 3 - DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, WASHINGTON, D.C.

Figure 4  
Merit Systems Protection Board  
San Francisco, California

This photograph illustrates how Board personnel improvised storage space due to a lack of adequate records storage facilities. The area in the photograph was located in the middle of the Board's office area, creating an unsightly and incongruous appearance.



FIGURE 4 - MERIT SYSTEMS PROTECTION BOARD, SAN FRANCISCO, CALIFORNIA

## CONCLUSIONS

Delays in meeting space needs not only result in customer inconvenience or complaints, but also in duplicative services, excessive staff commuting, reduced productivity, diminished service to the public, and low staff morale. The dollar costs of these effects are not known, but GSA and its customers agree that the costs can be substantial.



## CHAPTER 5

### ACTIONS NEEDED TO IMPROVE PERFORMANCE

The lack of timeliness in meeting agency space needs has been one of the principal and long-standing problems which has limited GSA's effectiveness as a service organization and a centralized property manager. Its success in overcoming untimely performance has not improved in recent years.

GSA will have to continue to rely on leasing over the next several years even if the Congress supplements Fund resources to permit accelerated construction and acquisition of Government-owned space. According to GSA's space and cost projections, supplemental funding, if approved, would begin in fiscal year 1985 and would not provide benefits until 1988, when an additional 5.8 million square feet of Government-owned space would enter GSA's inventory. And such funding would avoid annual outlays of about \$60 million for comparable leased space. Further benefits would accrue from fiscal years 1989 through 1993, when additional Government-owned space totaling 18.4 million square feet would enter the inventory and enable GSA to avoid rental outlays totaling \$1.29 billion over the 5-year period.

GSA has taken certain initiatives to improve its performance in delivering leased space. However, we believe that GSA needs to do more to expedite the acquisition of leased space. In addition, we believe the Congress needs to receive information on the volume of agency space requests and GSA's timeliness in meeting them. This information would be useful to the Congress and others for monitoring and evaluating GSA's performance as a service organization.

### ACTIONS TAKEN OR PROPOSED TO IMPROVE THE LEASING PROCESS

In response to the recommendations of its ad hoc leasing committee and the Inspector General, GSA:

- Eliminated the requirement for regional counsel review of lease solicitations since its automated system provides standardized solicitation formats.
- Revised the criteria for pre-award clearance reviews of lease contracts by headquarters.
- Instituted a requirement that the Commissioner of the Public Buildings Service will issue all internal operating and implementing directives pertaining to leasing.

- --Allocated 35 additional slots to the regional offices for hiring leasing personnel in fiscal year 1981. This represented an increase of about 25 percent in the size of GSA's leasing staff, or half the increase recommended by the ad hoc leasing committee.

GSA also plans to (1) revise its fire-safety standards, (2) develop a simplified standard on handicapped access for leased space of 5,000 square feet or less, and (3) consult with the Environmental Protection Agency to simplify the clean air and water standards.

GSA considered relaxing the requirements for a small business subcontracting plan for leasing. However, it concluded that the subcontracting requirements of Public Law 95-507 could not be relaxed because the law contains dollar thresholds. These thresholds require a detailed subcontracting plan for contracts exceeding \$500,000 and a "best efforts" subcontracting plan for contracts exceeding \$10,000.

Apart from GSA's actions to streamline its leasing process, Senate bill 533 and House bill 1938 would eliminate or ease application of the Economy Act limitation on annual rent.

#### OTHER ACTIONS SHOULD BE CONSIDERED

If fully implemented, the GSA initiatives will be helpful, but more needs to be done to expedite the acquisition of leased space for agencies. GSA needs to consider various alternatives, or combinations of alternatives, such as

- establishing a complete inventory of the space request backlog and a plan of action, including monitoring, to reduce the backlog;
- attempting to reduce the attrition rate for leasing personnel;
- supplementing leasing resources as needed with personnel from within the Public Buildings Service, from other GSA organizational units, and from tenant agencies; and
- expanding the use of delegated authority for smaller leases.

#### Statistics on space requests

As stated previously, GSA has not maintained statistics on the number of requests, square footages requested, and time taken to complete various types of space requests. (See p. 17.) Consequently, GSA does not know how many agency space requests it has nationwide nor does it have complete information on its

performance in satisfying requests. We believe that, in addition to establishing the volume of space requests, GSA needs to establish a goal of what it considers a manageable level backlog to be, reduce the backlog, and then monitor the backlog.

#### Attrition rate of leasing specialists

According to a 1980 GSA report, the annual turnover rate for leasing specialists is about 30 percent and about half of the GSA leasing specialists have less than 18 months' experience. As a result, two or more specialists may work on the same leasing action. The high turnover is attributed in part to the frustration of leasing specialists with the cumbersome leasing process. We believe that another cause is the lack of continuity of GSA's top management--in the last 10 years there were seven Administrators and nine Commissioners or acting Commissioners of the Public Buildings Service. We also believe that GSA needs to determine the reasons for the high attrition rate among leasing specialists and take measures to alleviate the problem.

#### Leasing resources

According to GSA, one of the reasons for delays is the lack of adequate resources. Leasing personnel devote considerable time to reviewing leases and have insufficient time for new lease awards and lease administration. Consequently, we believe that GSA needs to consider supplementing the leasing specialists with personnel from within the Public Buildings Service, from other GSA organizational units, and from tenant agencies.

#### More flexible delegation policy

In a January 9, 1978, report (LCD-78-303), we concluded that, based on the legislative record, it was anticipated that when GSA was established it would make extensive use of lease delegations in small communities where it would be feasible for agencies to lease space directly. We reported that GSA was involved needlessly in numerous small single agency leases in remote areas where there was no concentration of Federal agencies and refused to make delegations to agencies even though it could not lease for all in a timely manner.

We recommended that the Administrator of General Services adopt a more flexible lease delegation approach which would consider the most economical and efficient acquisition procedure and the best use of GSA's staff.

Although GSA did grant some lease delegations in 1979 and 1980, it has delegated such authority sparingly primarily because it believes the delegations erode its responsibility as a central authority for Federal space management. We believe, however, that GSA's control role would be preserved and strengthened by a more flexible lease delegation policy for general purpose

space in nonurban areas if such delegations are carried out under a Government-wide leasing regulation and are systematically monitored for agency compliance. GSA's resources would be augmented by agencies and delays in obtaining lease space would be reduced.

It is the responsibility of GSA, as the Government's centralized property manager, to ensure effective and efficient acquisition and use of space and not to deny agencies the space they need to operate productively. It is the customer, not GSA, that incurs the costs and inefficiencies of inadequate or insufficient space when GSA cannot respond in a timely manner. By not being timely, GSA, in effect, restricts Government expenditures for space which is not the objective of the central service concept.

The 1978 report by the President's reorganization project suggested that GSA lease office space in (1) areas where there are large concentrations of Federal space and (2) all areas where the amount of office space is above 5,000 square feet. Agencies could lease 5,000 square feet or less of office space in non-major Federal areas under delegated authority from GSA.

At the completion of our review, we were told that the Administrator of General Services was establishing a control group to monitor the performance of leasing and other areas.

NEED FOR GSA TO PROVIDE THE CONGRESS  
WITH INFORMATION ON TIMELINESS IN  
MEETING AGENCY SPACE NEEDS

Under section 11 of the Public Buildings Act of 1959, as amended (40 U.S.C. 610), the Administrator of General Services reports annually to the Congress information on the cost and status of space acquisition, construction, and alteration projects. Senate bill 533 1/ would require GSA to report annually extensive data on real property activities, including

- an inventory of all public buildings, including each building's location, amount of space, and number of employees assigned to each Federal agency;
- an inventory of locations of Federal agency offices in leased buildings, including each location, annual leasing cost, total expected costs over the remaining lease term, and the amount of agency space and number of employees;
- a list of all construction and renovation projects completed and in progress, including the degree of completion;

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1/H.R. 1938 has many of the same requirements.

- a list of all leases and lease renewals executed; and
- a list of construction, acquisition, and renovation projects which have exceeded, or are expected to exceed, the maximum cost authorized.

Both bills also would require GSA to maintain and make available for each Government owned and leased building information on the amount of vacant space, operation costs, user-charge collections, space utilization rates, energy consumption, handicapped access, and other factors.

These current and proposed data requirements relate predominately to GSA's role as a regulator of Federal space management and utilization. Since GSA is also responsible for delivering space in a timely manner, it needs to maintain and report information concerning its performance in meeting agency space requests. In our formal comments on House bill 1938, 1/ we suggested that GSA should be required to report statistics on the volume of space requests and the time taken to complete them so that congressional committees and the Office of Management and Budget could monitor GSA's progress and performance in satisfying agencies' space needs.

Specific statistics that GSA could use to analyze and monitor its progress and performance include:

- The number, types, and square footages (by ranges, such as 0-1,000 sq. ft.; 1,001-2,500 sq. ft.; 2,501-5,000 sq. ft.; etc.) of space requests received at the beginning of the year, received and completed during the year, and on hand at the end of the year.
- Average age of space requests, by number, type, and square footages, completed during the year and on hand at the end of the year.
- Number of requests at the end of the year by type, square footages, and time outstanding (by ranges, such as 6 months or less, more than 6 months but less than 1 year, and 1 year or more).

We stated earlier that GSA is implementing a data system which will provide the raw data for reporting these statistics. (See p. 17.) These statistics, together with other information that the data system would provide, could be used by GSA's management to analyze and monitor space request activity. For example, analyses of timeliness by types and sizes of space requests, or by GSA regions and customer agencies, could suggest a more

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1/Letter to the Chairman, House Committee on Public Works and Transportation (B-202459), May 21, 1981.

efficient way to deploy space management resources or disclose unfavorable trends before they become critical.

## CONCLUSION

We believe that various options, including those discussed in this report, should be considered by GSA as a means of improving its performance in acquiring space for Federal agencies.

The public buildings data that GSA now reports to the Congress and the extensive data requirements of both Senate bill 533 and House bill 1938 relate primarily to GSA's role as a regulator of Federal space management. Since GSA is also a service organization, it needs to supplement the data that it reports to the Congress with information on the volume of agency space requests, its timeliness in meeting them, and factors that impede timely performance. This information would provide the Congress, the Office of Management and Budget, and other concerned parties with a basis for monitoring GSA's progress and performance in satisfying agency space needs. In addition, the information could be used by GSA's management to analyze and monitor space request activity.

## RECOMMENDATIONS TO THE ADMINISTRATOR OF GENERAL SERVICES

To reduce delays and improve performance, we recommend that the Administrator of General Services:

- Prepare a complete inventory of the space requests backlog and a plan of action to reduce and monitor the backlog.
- Improve the level of resources devoted to leasing by reducing the attrition rate for leasing personnel and supplementing the leasing resources as needed.
- Delegate leasing authority on a trial basis for small blocks of space in nonurban areas. Delegations should be monitored by GSA and expanded or terminated based on agency performance.

We also recommend that the Administrator of General Services maintain statistics on the volume of agency space requests and disclose in the annual report to the Congress information on GSA's performance in filling space requests and the factors that impede timely service.

## AGENCY COMMENTS AND OUR EVALUATION

In its January 1982 comments on a draft of this report (see app. IV), GSA stated that the Commissioner, Public Buildings Service, is creating a task force to improve the level of resources

devoted to leasing and the timeliness of the leasing process in general. GSA noted that it increased its leasing staff in fiscal year 1981 and that it anticipates an additional increase in fiscal year 1982. Further, GSA pointed out that it is working with the Department of Health and Human Services to satisfy the space needs of the Social Security Administration. Space acquisition teams comprised of personnel from GSA and Health and Human Services are working to (1) eliminate the chronic backlog of Social Security space requests by October 1982 and (2) assure that all new requests are processed within the mutually satisfactory time goal of 190 to 265 days. GSA also stated that the high turnover rate of leasing specialists is a source of continued and growing concern and that it would welcome more specific suggestions from us to reverse the trend.

We recognize that GSA is working closely with Health and Human Services; however, this effort was undertaken at the direction of congressional committees in the wake of several hearings on GSA's delays in meeting Social Security's space needs. We believe that GSA should be setting priorities, establishing mutually satisfactory time goals, and exploring opportunities for joint action for all space requests. Regarding the turnover of leasing specialists, both GSA's ad hoc leasing committee and its Office of the Inspector General reported that staff frustration and disenchantment over the complexity of the leasing process were the major reasons for the high attrition rate. Therefore, we believe that further efforts to streamline leasing procedures should be a top priority of GSA's new task force. The task force could also contact former leasing specialists to determine why specialists are leaving GSA's leasing program.

GSA stated that it sees no useful purpose in disclosing in an annual report to the Congress information on its performance in filling space requests and the factors that impede timely service. GSA noted that it established a new procedure for classifying agency space requests in October 1980 and developed an automated tracking system which provides (1) a complete status of all space requests, including the backlog, and (2) the statistical data needed to monitor space request activity at both a national and regional level. GSA stated that since this information is available at any time upon request, reporting it to the Congress would be of limited value.

We continue to believe that GSA should report performance information to the Congress on an annual basis. GSA already reports information regarding Federal space, and both House bill 1938 and Senate bill 533 clearly show congressional interest in receiving annual reports concerning GSA's performance as a regulator. (See p. 42.) GSA's other principal role is that of a service organization. Its deficiency in fulfilling this role has become a chronic problem and the cause of widespread complaints. Consequently, information on space request activity and the

factors impeding timely service would provide the Congress and others with a barometer of GSA's performance as a service organization and would alert the Congress to unfavorable trends and their causes. We are aware that GSA has developed an automated system for tracking and monitoring space requests. Between October 1980 and June 1981, when we did our field work, we made several attempts to obtain space request data from the GSA system. The data was not accurate and complete.

GSA disagreed with our recommendation to delegate leasing authority on a trial basis for small blocks of space in non-urban areas. GSA stated that it delegates leasing authority only when it can be demonstrated that delegation would be in the Government's best interest. According to GSA, trial delegations would not serve the Government's best interest and would not be prudent or cost-effective because they would involve extensive resource time for both GSA and the agencies receiving such delegations and would result in the agencies doing the same job that GSA already provides. GSA also noted that we provided no evidence that other agencies have the quantity or quality of personnel to permit effective use of delegated leasing authority.

We recognize that centralization of the leasing function in a single agency should be more efficient and effective than lease delegation. Centralization minimizes resource duplication and administrative overhead and permits coordination of lease actions. Moreover, centralized leasing would prevent the additional upward pressure on rental rates that could result if individual agencies were free to compete against one another for space in a tight lease market. However, unless GSA substantially improves its performance in delivering leased space, we believe that trial delegations of small blocks in nonurban areas should be an option for satisfying space requests. As we discuss in chapter 4, some agencies incur substantial costs and inefficiencies as a result of GSA's delays. Although the costs are difficult to quantify and vary case by case, they nevertheless should be considered in determining what is prudent, cost-effective, and in the best interest of the Government. Furthermore, during a time of rapidly rising rental rates, a prolonged delay by GSA is likely to result in increased lease cost. This factor also should be considered in determining what serves the Government's best interest. While we do not know how many qualified personnel other agencies have for carrying out leasing functions, we believe that this question--like the costs borne by an agency when GSA cannot ensure timely service--should be assessed on a case-by-case basis with the input of the agency involved. For these reasons, we continue to believe that GSA should grant lease delegations on a trial basis for small blocks of space in nonurban areas, monitor agency performance, and expand or terminate the delegations based on actual results. By limiting trial delegations to small blocks of space in nonurban areas, we believe that GSA would minimize the risk of agencies competing against one another.



## CHAPTER 6

### NEED FOR IMPROVED MONITORING

#### OF AGENCY LEASING

Although the responsibility for leasing activities was centralized in GSA about 30 years ago, GSA has not issued a Government-wide uniform regulation on the policies and procedures for leasing of real property nor has it monitored the leasing activities of those agencies with delegated leasing authority. Therefore, GSA has no assurance that agencies are following uniform and consistent lease acquisition procedures. Historically, GSA views its role as a service organization for Government housekeeping functions, not as a monitor over these functions.

#### GSA'S ROLE IN LEASING

By enacting the Federal Property and Administrative Services Act of 1949 and approving Reorganization Plan No. 18 of 1950, the Congress implemented a Hoover Commission report recommendation that an Office of General Services be established to provide central direction over real property management. The Commission pointed out that a high degree of centralization could be avoided by (1) centralizing the authority to prescribe uniform regulations on the conduct of service activities, including real property management by departments and agencies and (2) delegating, to the greatest extent possible, the responsibility for exercising these service activities, including real property management back to the departments and agencies.

The 1949 act gave GSA broad authority and responsibility over the management of real property. It also authorized GSA to prescribe uniform regulations governing real property management and leasing, to lease real property, and to delegate lease authority to the head of any executive agency.

In the President's letter transmitting Reorganization Plan No. 18 of 1950 to the Congress for approval, GSA's role was described as follows:

"\* \* \* This plan concentrates in the General Services Administration the responsibility for leasing and assignment of what is termed general-purpose building space; that is, space which is suitable for the uses of a number of Federal agencies. It specifically excludes space in buildings at military posts, arsenals, navy yards, and similar defense installations and space in hospitals, laboratories, factories, and other special-purpose buildings."

"While the plan effects a broad transfer of functions with respect to leasing and assignment of space and the operation and maintenance of office buildings, it specifically authorizes the Administrator of General Services to delegate the performance of any part of these functions to other agencies subject to such regulations as he deems desirable for economical and effective administration. In this the plan follows the pattern adopted by the Federal Property and Administrative Services Act of 1949 for other branches of property management. In large urban centers where numerous Federal units are located unified administration of space activities by the General Services Administration will normally be advantageous. On the other hand, in the smaller communities it will no doubt be desirable to delegate the work back to the agencies directly affected, to be carried on under standards laid down by the Administrator of General Services. The plan provides ample flexibility for working out the most effective administrative arrangement for each type of situation. \* \* \*"  
[Underscoring supplied.]

#### DELEGATIONS TO LEASE SPACE

GSA delegates to agencies the authority to lease general and special-purpose space. Of the two delegations, the authority to lease general-purpose space is more relevant to agencies with needs for office space. Currently, seven Federal departments and agencies have this authority. The Departments of Agriculture, Commerce, and Defense are authorized to lease buildings and associated land outside urban centers designated by GSA. In March 1980, the Administrator of General Services expanded Agriculture's authority to include leasing in certain nonmajor urban centers. The Department of the Treasury can lease buildings and associated land without geographical restriction for the use of the Comptroller of the Currency, and the Tennessee Valley Authority can lease buildings and associated land for its use. The National Aeronautics and Space Administration has authority to lease buildings and associated land outside the District of Columbia, and the Central Intelligence Agency has the authority to lease space for its domestic field offices without geographical restriction, but in amounts no greater than 5,000 square feet. In a few cases, GSA has delegated general-purpose authority to lease space at one or two specified locations, but those delegations have not been significant.

Twelve Federal departments and independent agencies have the delegated authority to lease special-purpose space; that is, space which is used wholly or predominately for the purpose of the particular agency and not generally suitable for other

agencies. In January 1981, for example, the Administrator of General Services determined that Coast Guard recruitment offices in urban centers constitute special-purpose space and delegated the authority to lease such space to the Secretary of Transportation.

#### NEED FOR A GOVERNMENT-WIDE LEASING REGULATION

As required by the 1949 act, GSA has developed Federal Procurement Regulations which are primarily directed to the acquisition of personal property and nonpersonal services and only have limited application to leasing of real property. The regulations contain standard lease clauses, such as the Economy Act limitation, failure in performance, and maintenance of premises, but do not provide agencies with specific guidance on soliciting offers, obtaining competition, negotiating prices, and administering leases. Nevertheless, GSA has adopted many of the regulations' provisions in its internal instructions to encourage competition and the acquisition of space to the best advantage of the Government. The GSA internal instructions are not applicable to other Federal agencies.

The following two cases illustrate what can happen when agencies are free to lease space in the absence of a Government-wide uniform regulation. In each case, authority to acquire leased space was delegated on the grounds that GSA had not been timely in meeting the agency's space needs. In the Department of Defense's case, delegated authority was used to lease special-purpose space in a timely manner, but at the sacrifice of those policies and procedures GSA would use to encourage maximum competition. In the Federal Communications Commission's (FCC's) case, independent authority was used to lease, or to negotiate proposed leases for, general-purpose space. Again, however, several standard GSA policies, procedures, and requirements were ignored.

#### The Department of Defense's use of delegated leasing authority

In September 1979, in response to Defense's request, the Administrator of General Services determined that military recruitment offices in urban centers constitute special-purpose space and delegated leasing authority to the Secretary of Defense. The Secretary, in turn, delegated this authority to the Army Corps of Engineers. Although GSA has no formal program for monitoring agency implementation of delegated authority, in August 1980 a GSA survey team reviewed a district Corps office's leasing program. GSA found that the Corps' program was highly results-oriented. In most cases, the Corps met individual space requests within 60 days, and it expected to complete all requests that would be submitted to GSA during 1980

within the same time frame. There was no mystery about the Corps' timeliness. In examining a sample of completed lease transactions, GSA found that:

- The Corps' leasing practices were inconsistent with GSA's policy to encourage maximum competition. All of the leases examined were sole-source acquisitions and had no data showing that market surveys were performed to identify alternative locations and prices. Essentially, the basis for acquiring the space was the desire of local recruiters to satisfy recruiting criteria for a particular location.
- The documentation justifying the sole-source acquisitions consisted of a single findings and determinations statement, instead of a case-by-case justification that GSA follows in its leasing program.
- The Corps' leasing instructions were uncomplicated when compared to GSA's standards. For example, the instructions called for judgments based on the "Government's best interest," but provided limited guidance on how to deal with specific circumstances on a leasing transaction.

Our observations of the Corps' leasing practices are for the most part consistent with GSA's findings.

#### FCC's use of independent leasing authority

The Congress granted FCC the authority to lease office space independently of GSA in the act appropriating money to FCC for fiscal year 1980. This authority was extended under a continuing resolution for fiscal year 1981 which expired on September 30, 1981. FCC used the authority to lease about 70,000 square feet of office space at an annual rental cost of about \$766,000. In addition, FCC proposed to enter into two leases for consolidated office space in Rosslyn, Virginia, totaling about 375,000 square feet at an estimated annual cost of \$6.4 million. Because of objections raised by the Subcommittee on Public Buildings and Grounds, House Committee on Public Works and Transportation, during a hearing on the lease prospectus, FCC did not consummate the proposed Rosslyn leases.

In our June 26, 1981, report to the FCC Chairman (PLRD-81-39), we cited several instances where FCC did not follow sound leasing policies and procedures or did not act in the Government's best interest in exercising its independent authority. For example, we reported that:

- FCC did not prepare and issue a formal solicitation for offers for each lease setting forth space requirements and proposed terms and conditions. Instead, FCC initiated sole-source negotiations on the basis of locations which

the realty consultant identified. Issuance of a formal solicitation is a crucial step in GSA's leasing process because it provides a means for all interested lessors to compete and assures that competing offers are proposed, compared, and evaluated on the basis of uniform criteria. In the absence of a formal solicitation, there was no assurance that FCC encouraged maximum competition, provided all lessors with an opportunity to compete on an equal basis, applied uniform criteria in evaluating alternative proposals, and selected the alternative most advantageous to the Government.

- FCC agreed, or proposed to agree, to escalate base rent according to a formula tied to annual increases in the Consumer Price Index. This type of escalation, although not uncommon in commercial leasing, is more generous than GSA's established escalation policy and can result in substantial increases in Federal budgetary outlays and costs over the lease term.
- FCC did not include certain standard Government lease clauses, such as the Economy Act limitation on annual rent, which GSA uses to implement statutory requirements or to protect the Government's interest. Further, FCC did not maintain negotiation memoranda in the lease files spelling out price and related bargaining objectives, exceptions to proposed terms and conditions, and the results of discussions with lessors. Such memoranda are required by Federal Procurement Regulations as well as GSA's internal leasing procedures.

#### Proposed Government-wide leasing regulation

In response to the ad hoc leasing committee's recommendation, GSA's Deputy Administrator directed GSA's Office of Acquisition Policy and the Public Buildings Service to issue a regulation that would assure a disciplined process for all Federal agencies exercising delegated leasing authority. At the completion of our review, GSA had prepared a draft of a proposed temporary regulation, to be issued as a Federal Procurement Regulation, specifying the policies and procedures for acquiring leased space, except for acquisitions by the power of eminent domain or by donation.

The proposed regulation would require that all acquisitions of leased space be made on a competitive basis, to the maximum extent practicable. To encourage maximum competition, the regulation would require that market surveys be made for all acquisitions of leased space. The surveys must include information on the availability of space through the use of circulars, newspaper advertisement, consultations with realtors, and other appropriate means; inspections of all offered

and other locations meeting minimum requirements; and documentation on the survey findings for each location inspected, including the reasons for unacceptability. Further, the regulation would require issuing a formal solicitation for offers for leases involving 5,000 square feet or more. Such solicitations would state the Government's minimum requirements and lease terms and conditions. The intent is to assure that each prospective offeror has the information necessary to prepare a lease proposal and that competing proposals are evaluated on the basis of uniform criteria. For leases involving less than 5,000 square feet, the contracting officer would have to assure that the requirements of applicable laws, executive orders, and regulations are included in the lease contract.

The regulation also would identify the socio-economic and life-safety requirements mandated by statutes, executive orders, and regulations and require the contracting officer to ensure compliance whenever possible.

#### GSA'S MONITORING OF AGENCY LEASING

In a January 9, 1978, report (LCD-78-303) we stated that, although the responsibility for leasing activities was centralized in GSA by the 1949 act and Reorganization Plan No. 18 of 1950, GSA had not monitored the leasing procedures and practices of agencies operating under delegated lease authority. According to GSA, it did not have sufficient staff to evaluate agency leasing. We recommended, and GSA agreed, that it should assume a more active and supportive role in the monitoring of agency leasing practices and procedures.

This recommendation has not yet been implemented. However, the proposed regulation would require GSA's leasing personnel to make periodic inspections, on a random basis, to determine whether agencies with delegated leasing authority are complying with the regulation. However, this monitoring activity would not include agencies, such as FCC, which are leasing under independent authority.

#### CONCLUSIONS

Since a primary purpose of the 1949 act was to centralize in a single agency responsibility for housekeeping functions of the Government, including leasing, we believe that GSA needs to closely monitor agency leasing activities to assure they are carried out consistently and in accordance with uniform standards and regulations. Specifically, GSA needs to (1) issue the Government-wide uniform regulation governing agency leasing policies and procedures and (2) implement a program for monitoring agency compliance. Finally, since many agencies have limited experience with leasing real property, GSA needs to furnish agencies with delegated authority with directives, instructions, and other guidance concerning the scope, applicability, and implementation of Federal leasing policies, regulations, and procedures.

RECOMMENDATIONS TO THE  
ADMINISTRATOR OF GENERAL SERVICES

To ensure that agencies with delegated leasing authority follow sound and consistent leasing procedures and practices, we recommend that the Administrator of General Services:

- Issue the Government-wide regulation specifying the policies and procedures which the agencies must follow in acquiring leased space.
- Establish a program for the systematic monitoring of agency compliance with the Government-wide regulation.
- Furnish agencies granted leasing authority with GSA's directives, instructions, and other publications on the scope, applicability, and implementation of Federal leasing policies, regulations, and procedures.

AGENCY COMMENTS AND OUR EVALUATION

GSA essentially agreed with the recommendations. GSA stated that it plans to issue a Government-wide leasing regulation by the end of March 1982 and that it will increase its monitoring of agencies with delegated leasing authority. GSA also stated that its recently published handbook on the acquisition of leasehold interests in real property is available to all agencies upon request, although it pointed out that its internal leasing directives and guidelines need not be binding on other agencies.

We believe that the GSA handbook, which contains detailed instructions on leasing policies, regulations, and procedures will be useful to those agencies with delegated authority and that GSA should assure that the agencies are furnished with the handbook.

SPACE REQUESTS ILLUSTRATINGREASONS FOR DELAYS

Following are seven space request cases and several examples which illustrate why delays have occurred in meeting agency space needs. We selected the cases and examples on the basis of our review of space requests outstanding longer than 6 months at GSA's Boston, San Francisco, and National Capital regions and on discussions with regional space management officials. (See app. II.)

CASE 1: FEDERAL LABOR RELATIONS AUTHORITY,  
WASHINGTON, D.C., HEADQUARTERS

The Authority was created by Reorganization Plan No. 2 of 1978 for the purpose of improving labor-management relations and resolving labor-management disputes in the Government. Its functions and responsibilities were subsequently augmented and codified under the Civil Service Reform Act of 1978. As of April 1981, the Authority's request for about 54,000 square feet of space to house its headquarters offices had been outstanding for 2-1/2 years and the agency was operating in temporary offices dispersed among four buildings. Following congressional approval of a prospectus, GSA offered consolidated space in a new office building that it had recently leased.

The primary reason for the 2-1/2 year delay was that CSA did not have available space in the Washington area to satisfy the Authority's space needs as well as other agencies' needs. As a result, on two occasions, GSA offered satisfactory space only to rescind its offer and assign the space to another agency. In addition, according to an Authority official, the delay was exacerbated by a high turnover of GSA specialists assigned to the Authority's request.

Insufficient space

In August 1978, shortly after Reorganization Plan No. 2 was announced, GSA reported that it had no sizable blocks of space available from its existing inventory in the Washington area and that it already faced a backlog of agency requests for about 2 million square feet. Further, the vacancy rate in the lease market was extremely low and, although privately owned construction projects were underway, they were substantially leased before ground was broken to ensure that the building owners obtained construction financing. GSA concluded that the only way to obtain a large amount of consolidated space for the Authority was to construct a Federal building. Since Federal construction requires at least 5 years to complete, however, GSA agreed to seek new leased space on the Authority's behalf. Because of tight conditions in the lease market, GSA estimated that about a year would be needed to deliver suitable space. During the interim, the Authority was to occupy a small amount of temporary space.



The Authority began operating in January 1979 and soon experienced a critical need for additional space. In March 1979 GSA issued a lease solicitation for 5,000 square feet to acquire temporary space. Only one response was received from this solicitation. Although GSA had issued the solicitation on the Authority's behalf, it used this newly leased space to house offices of the Federal Emergency Management Agency, another new agency whose space needs GSA believed were more urgent. GSA also attempted to acquire small blocks of additional space for the Authority through its fast-track leasing program. Two locations were identified, but neither was acceptable to the Authority.

In April and May 1979 GSA offered, and the Authority accepted, leased space located at 1726 M Street, NW., that GSA was carrying in inventory and was expecting to become available by November. However, in April 1980, GSA, again citing a more urgent need, withdrew its offer and assigned the space to the Council on Wage and Price Stability. As a result of this action, GSA and the Authority agreed to prepare a prospectus for congressional approval to lease a large block of new space.

In June 1980, as a result of a cut in the Wage and Price Council's budget, GSA re-offered and the Authority re-accepted the M Street space. By August, however, GSA was anticipating the presidential election and the potential need for temporary space to house a presidential transition team. Consequently, it again withdrew its offer of the M Street space and, in September, submitted a prospectus to the Congress on behalf of the Authority's space request. The prospectus received final approval in December 1980. In January 1981 GSA issued a solicitation to acquire additional space and, in April, consummated the lease for the new office building in which the Authority has accepted consolidated space.

#### Staff turnover

Over the 2-1/2 year period of this space request, eight different GSA assignment specialists worked with the Authority. According to an Authority official, this turnover of personnel contributed to the delay because time was lost while each new specialist became acquainted with the Authority's space requirements. Moreover, in one instance, the Authority found that the specialist was so inexperienced that it requested a change in personnel.

The GSA official responsible for supervising assignment specialists in the National Capital Region recognized that personnel turnover could delay service. However, he stated that it is necessary to reassign specialists to maintain an even workload distribution among his staff.

Figure 5  
Federal Labor Relations Authority  
Washington, D.C.

The Senior Executive Service official in this photograph shares less than 200 square feet with his secretary at one of four buildings housing the Authority's headquarters. Under GSA guidelines, the executive is entitled to 400 square feet of separate office space and his secretary is entitled to 60 square feet. The desk in the rear corner, now serving as storage space, was used as a work station for a summer intern. Because of the crowded conditions and poor ventilation, fans are necessary for air circulation.



FIGURE 5 - FEDERAL LABOR RELATIONS AUTHORITY, WASHINGTON, D.C.

Figure 6  
Federal Labor Relations Authority  
Washington, D.C.

Due to a lack of storage space, the main hallway at one of the Authority's headquarters locations is used to store files and other records.

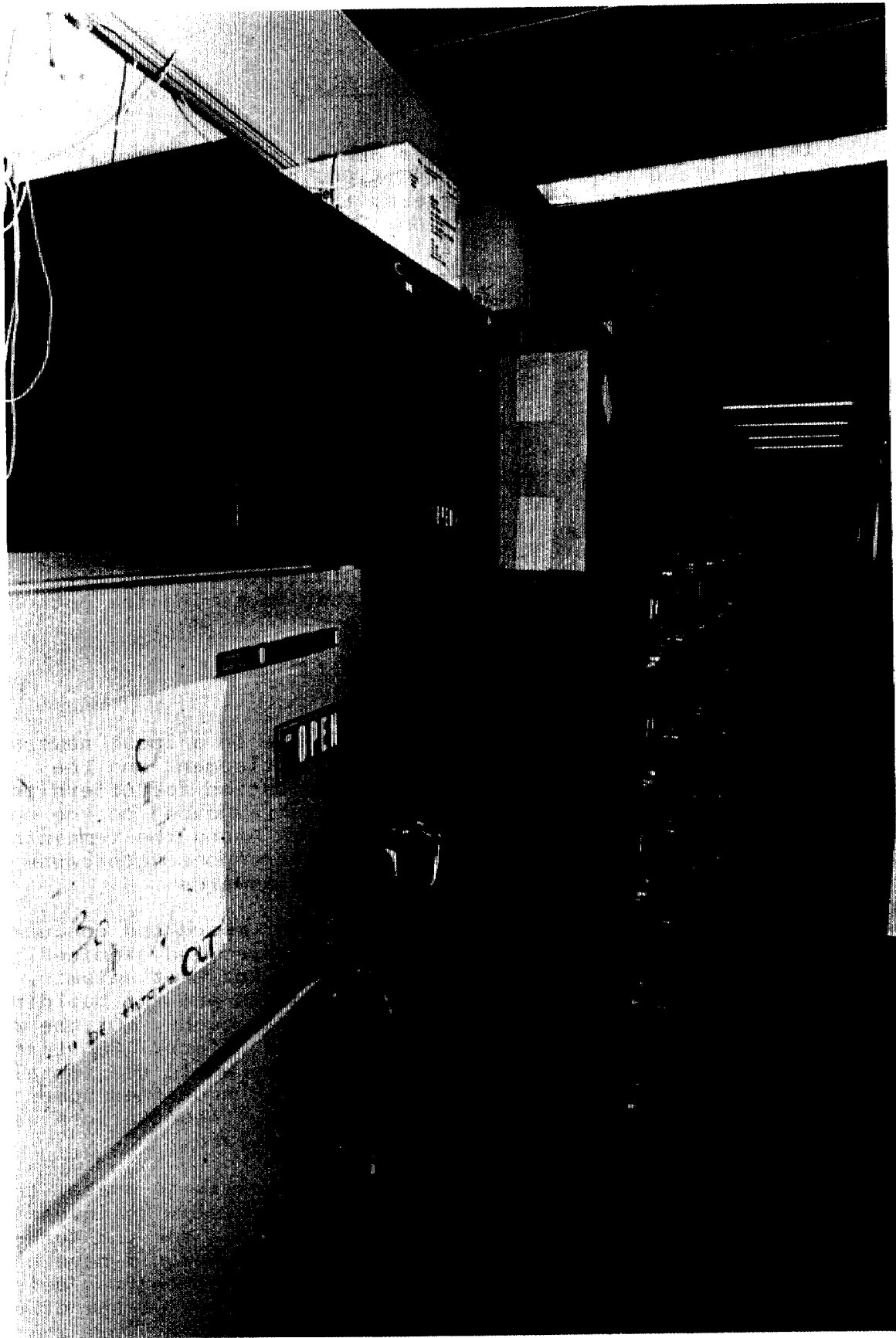


FIGURE 6 - FEDERAL LABOR RELATIONS AUTHORITY, WASHINGTON, D.C.

CASE 2: FEDERAL LABOR RELATIONS AUTHORITY,  
SAN FRANCISCO REGION

In March 1979, the Authority's San Francisco regional office submitted a space request for about 5,000 square feet. As in the case of the Authority's headquarters, this space request was precipitated by Reorganization Plan No. 2 of 1978 and the Civil Service Reform Act of 1978. At the time of our fieldwork, the Authority was scheduled to occupy suitable space by mid-April 1981, or more than 2 years after submitting its request. During the interim period, the Authority was housed in temporary space. The principal reasons for delay in providing permanent space were a shortage of lease funds and a lack of leased space in San Francisco that complied with GSA's seismic and other life-safety standards.

Shortage of lease funds

Shortly after GSA's San Francisco region received the Authority's request, it reported that sufficient space was not available from existing inventory. Moreover, due to severe budgetary constraints, the region had no funds to lease new space before October 1979. As a result, the region did not initiate leasing action until late September 1979, or 6 months after receiving the Authority's request.

Shortage of leased space  
meeting GSA standards

In October 1979 GSA advertised for space in a local newspaper and, based on the responses to the advertisement and the results of a market survey, issued a solicitation for offers to seven potential lessors. Only four lessors responded to the solicitation, one of whom withdrew his offer. Among the remaining three, GSA determined that each offer was unresponsive because the space did not meet seismic and safety standards.

In January 1980 GSA again advertised for space and conducted a market survey. Of the 19 locations identified and examined, GSA found 15 to be unacceptable because they did not meet seismic, firesafety, and/or handicapped access standards and the building owners were unwilling to make corrective alterations. Of the remaining locations, only two lessors submitted offers. GSA terminated negotiations with one offeror because he would not install air-conditioning. Because the remaining offer contained numerous deviations from GSA's specifications, extensive negotiations were required before a lease was signed in October 1980.

Considering the limited availability of suitable space, the Director of GSA's regional space management division believed that it was a major accomplishment to lease space for the Authority at all. An Authority official believed GSA would have been much timelier if it had been more flexible in applying its seismic and safety standards. This official noted that one of the offerors

who had responded to the first solicitation offered space highly desirable to the Authority, but had his offer eliminated because the building elevator did not meet the seismic standard. The Authority official also noted that the lessor's proposed price of \$22 per square foot was nearly \$11 below the price of the space GSA eventually acquired.

GSA refused to relax its seismic standards because it considers the risk of injury from an earthquake in San Francisco to be substantial and does not want to be criticized for housing Federal employees in potentially hazardous space. Furthermore, GSA does not believe that relaxing the standards would have saved much time. If the standards had been relaxed for the location desired by the Authority, they also would have had to be relaxed for the other two locations rejected because of seismic noncompliance. According to a GSA official, the time required to conduct negotiations with all three offerors would have extended the lease award process.

CASE 3: U.S. BANKRUPTCY COURT,  
PROVIDENCE, RHODE ISLAND

In April 1979 the Administrative Office of the U.S. Courts submitted a space request totaling 4,800 square feet on behalf of the Bankruptcy Court in Providence. The Court occupied about 2,300 square feet in the U.S. Court House and required additional space to cope with an increased caseload resulting from passage of the Bankruptcy Reform Act of 1978. By March 1981, or nearly 2 years after receiving the space request, GSA had relocated the Court's judicial offices from the fourth floor to the first floor of the Court House building and had provided additional fourth-floor space to the Court's administrative offices. The 2-year delay was caused mainly by a lack of suitable and available Government-owned space and was exacerbated by a prolonged disagreement over GSA's solution to the Court's space needs.

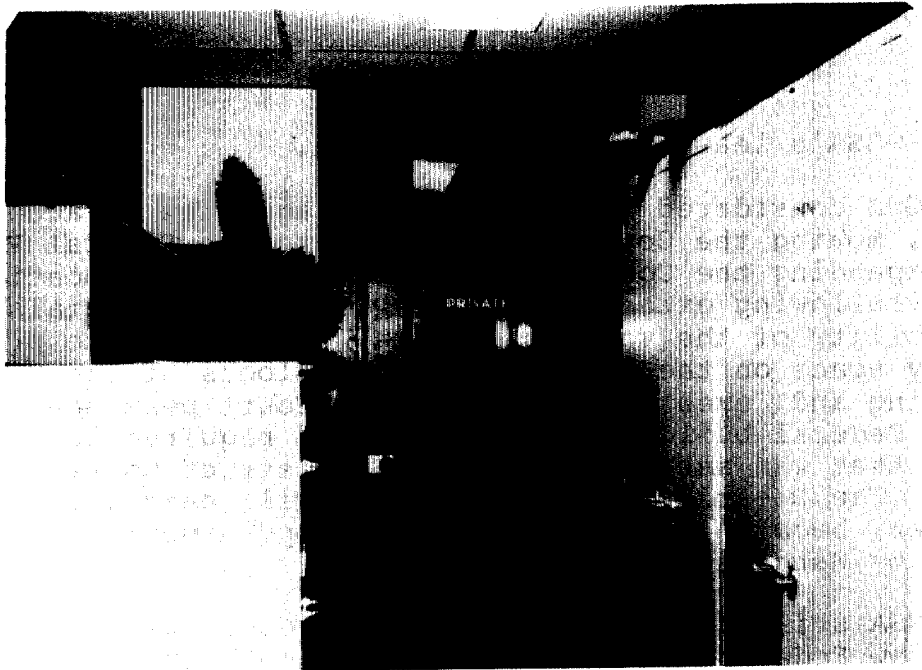
When GSA received the space request in April 1979, it had no Government-owned space available in Providence that fully met the Court's requirements. Over the next several months, GSA and Court officials discussed, but failed to agree on, a solution that could accommodate the Court's space needs. The solution favored by the Court was to lease new space. Although suitable space was available for lease in Providence, GSA did not believe leasing would be cost-effective because:

- It expected that construction of a major federally leased building in Providence would be completed in the near future. Thus, any other space that GSA leased would be used by the Court for only a short time.
- The Court's specialized requirements--courtroom, judge's chambers, deliberation room--would require substantial and costly alterations which could not be justified in light of the short-term need for leased space.

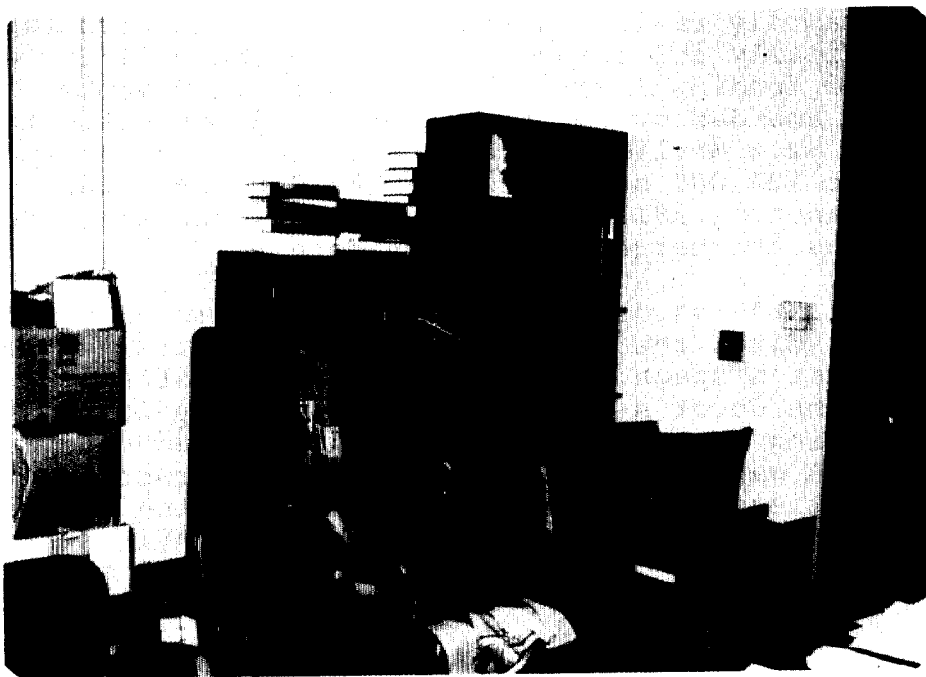
Figures 7 and 8  
U.S. Bankruptcy Court  
Providence, Rhode Island

These photographs show office space occupied by the Court's administrative operations. Figure 7 is a passageway between two offices that had to be used for records storage. When the file cabinet door was opened, entrance to or from the inter-office was blocked. Figure 8 shows the cluttered conditions resulting from the need to store records in a 144-square foot office occupied by two members of the law clerk staff.





**FIGURE 7 - UNITED STATES BANKRUPTCY COURT, PROVIDENCE, RHODE ISLAND**



**FIGURE 8 - UNITED STATES BANKRUPTCY COURT, PROVIDENCE, RHODE ISLAND**

--GSA's lease funds were limited.

GSA considered relocating other agencies to accommodate the Court, moving the Court's operations to the Federal Post Office, and expanding the Court's space at its present location. In June 1980, following extensive debate with Court officials over the suitability of the various options, GSA decided to provide temporary space on the first and fourth floors of the Court House building and, eventually, assign the Court permanent space in a new Federal building. This decision required GSA to reassign space that was assigned to the U.S. District Court, but not fully used. The District Court expects it will need this space back, however, because it anticipates the appointment of an additional judge by March 1982.

GSA still intends to provide the Court with permanent space in a new Federal leased building, although the original construction contractor defaulted on the project. In May 1978, as a result of a Senate committee resolution adopted under section 11(b) of the Public Buildings Act of 1959, GSA completed a study on the feasibility of locating a Federal building in Providence and recommended a lease construction project with an estimated annual rental of \$1.9 million. The Congress approved a prospectus for this project in June 1978. The contractor subsequently defaulted because rapidly rising interest rates and construction costs made it economically infeasible to complete the building within the authorized funding level. As a result, in November 1980, GSA submitted an amended prospectus, increasing the estimated annual rental to \$2.2 million and reducing the amount of space from 129,000 to 120,000 square feet. The Congress approved this amendment in January 1981. GSA awarded a new contract and set November 1982 as the target completion date.

While GSA was dealing with the problems of the new federally leased building, the debate continued over its temporary solution to the Court's space needs. In July 1980, after GSA had decided to split the Court's offices, the Bankruptcy Court judge filed a suit alleging that delay, procrastination, and bad faith negotiation by GSA were preventing the Court from carrying out its responsibilities. The suit was dismissed by the District Court in January 1981, appealed, and, then in June 1981, sent back to the District Court for dismissal on the grounds of mootness.

CASE 4: SECURITIES AND EXCHANGE COMMISSION,  
LOS ANGELES REGION

In September 1979 the Los Angeles regional office of the Securities and Exchange Commission submitted a request for 20,020 square feet of space, or about 3,000 square feet more than the Commission already occupied under a GSA lease that was due to expire in September 1980. The additional space was needed to accommodate growth in the Commission's staff and operations. In August 1980 the Commission amended its request to obtain an additional 1,800 square feet, bringing the total to about 4,800 square feet. As of March 1981, or 18 months after the Commission had submitted its original request, GSA had not provided expansion space. The primary reasons for delay were a disagreement over locating the Commission in the central business area of Los Angeles and a lessor's refusal to accept the requirement to negotiate a small business subcontracting plan. In addition, according to a GSA official, staff turnover and inexperience contributed to the delay.

Locating in the central  
business area

Locating in the central business area was an issue of contention between the Commission and GSA for nearly a year. In its September 1979 space request, the Commission stated that it needed to remain in the vicinity of its present location, which was outside the Los Angeles central business area, because of the location's convenience to the public. GSA, on the other hand, gave top priority to relocating the Commission to the central business area to enforce the urban policy of Executive Order 12072. Despite extensive discussions, the Commission refused to accede to GSA's position. Finally, in August 1980, GSA agreed to negotiate with the lessor of the building, in effect waiving the central business area requirement. This dispute with the Commission precluded GSA from advertising for relocation space in the central business area and ultimately resulted in the decision to negotiate with the present lessor.

Lessor refusal to accept  
small business requirement

By July 1980 GSA had requested but failed to secure a 1-year extension on the existing lease and realized that it could not relocate the Commission before the lease expired in September. Consequently, the GSA regional administrator approved a waiver to conduct sole-source negotiations with the current lessor and secure a new lease, including the expansion space requested by the Commission. According to GSA officials, substantive progress toward a lease agreement was being made when, in October 1980, GSA headquarters issued instructions to incorporate the new contract clause requiring the lessor to negotiate a

small business subcontracting plan. By this time, the lease had expired and the Commission was a holdover tenant. The lessor refused to accept the new clause, contending that it was economically oppressive, not applicable to the space under negotiation, and not intended to be applied when the Government was a holdover tenant. GSA did not agree with these contentions and had suspended further negotiations as of March 1981.

#### Staff turnover and inexperience

The GSA regional official responsible for supervising assignment specialists said that the delay in meeting the Commission's space needs was exacerbated by assigning three specialists to process the request. For example, the original specialist, a trainee, did not act on the request for nearly 3 months. Further, the specialists lacked a sense of urgency in dealing with the expiring lease.

#### CASE 5: SECRET SERVICE, WASHINGTON, D.C., HEADQUARTERS

In July 1977 the Secret Service requested additional space at 1800 G Street, NW., one of five locations that the Service occupied, so that it could consolidate its Washington offices. The Service did not request a specific amount of square footage, but asked GSA to assign additional space at the location as it became available. In December 1978 the Service amended its request by asking for about 67,000 square feet of office and parking space at 1800 G Street. This request was based in part on a GSA and Secret Service study which had determined that 1800 G Street was the best alternative for meeting the Service's space requirements. As of April 1981, or nearly 4 years after the Service's original request, GSA had been forced to condemn privately owned property for the Service's use and had not provided additional space at the G Street location. The condemnation and delay were caused by a severe shortage of space meeting the Service's specialized requirements and the difficulty of forcing agencies to relocate from prime office space.

#### Shortage of space

To perform its protection mission, the Secret Service requires space that is close to the White House and that can provide secured parking for 115 special-purpose vehicles. In meeting these requirements, GSA provided the Service with space at 1900 Pennsylvania Avenue, NW., a leased building that is located three blocks from the White House and is owned and partially occupied by a local utility firm. In August 1979 GSA was informed that the building owner required additional space to satisfy its own critical needs and would not negotiate a succeeding lease when the lease term expired in February 1980. Despite concerted efforts by both GSA and representatives of the building owner, no alternative space compatible with the Service's requirements could be found. As a result, GSA had no choice but

to condemn the Service's space in the building for two successive lease years to assure continued occupancy.

#### Difficulty of forcing relocation

GSA would have avoided condemnation if it had responded to the Secret Service's original request. In this regard, GSA intended to relocate certain agencies occupying the G Street space to accommodate the Secret Service. The problem was that no alternative space in the immediate area was available and that the G Street space, because of its prime location, was highly prized by certain agency heads wanting close proximity to the White House. In GSA's judgment, it was not possible to force a relocation without precipitating a power grab for the G Street space. Since circumstances had changed as of April 1981, GSA hopes to proceed with plans to provide additional space for the Secret Service at the G Street location.

#### CASE 6: SOCIAL SECURITY ADMINISTRATION, SAN FRANCISCO OFFICE

The San Francisco office of the Social Security Administration occupied 126,000 square feet of office space under a GSA lease that expired in August 1980. Although GSA initiated action to renew the lease more than a year prior to lease expiration, it still had not reached an agreement with the lessor as of March 1981, or more than 6 months after the lease had expired and 21 months after GSA had begun seeking lease renewal. Because GSA regional officials did not have an approved prospectus, they could not accept the lessor's initial renewal offer and the Government will pay at least \$1.9 million in increased rent. Further, after the original lease expired, GSA and the lessor reached an impasse over the new requirement to negotiate a small business subcontracting plan. As a result, GSA paid \$300,000 in additional rent between September 1980 and March 1981 to retain Social Security's space in holdover status.

#### Lack of approved prospectus

In late July 1979, the GSA regional office submitted to GSA headquarters a prospectus requesting authorization to renew the lease for Social Security's space. The lease contained an option to renew at a price to be negotiated.

In September 1979 the lessor offered to renew the lease for a 5-year term at an annual rental of \$1.95 million. This offer remained on the table until November 30, 1979. Although the GSA regional office believed that the lessor's proposal was in the Government's best interest, it could not act because it had not received an approved prospectus. GSA's records show that the prospectus was not submitted to the Congress until November 1979 and was not approved until late August 1980.

In April 1980 the lessor increased the annual rental to \$2.25 million and, again in June, to \$2.33 million. Shortly thereafter, the lessor indicated to GSA that he would raise his offer to \$2.4 million after August 28, an increase of \$450,000 over his original proposal of September 1979. Thus, if \$2.4 million is the price eventually agreed upon, the Government will pay \$2.25 million in additional rent over the 5-year lease term. At a minimum, the Government will pay an additional \$1.9 million, the difference between the lessor's firm offers of September 1979 and June 1980.

Requirement for small business subcontracting plan

As of late August 1980, the regional office had an approved prospectus and was about to reach an agreement with the lessor. In early September, however, it informed the lessor that the new contract clause requiring negotiation of a small business subcontracting plan would have to be included in the lease. The lessor objected, and negotiations over the issue continued until early 1981 when the lessor stated that he would provide the required plan. As of March 1, 1981, however, the lessor had not submitted a plan.

Social Security became a holdover tenant when the original lease expired in August 1980. From September 1980 through February 1981, GSA was paying a monthly rental of \$212,500 instead of \$162,500 (the price of the lessor's original offer to renew). Thus, over the 6-month period the Government incurred additional rent totaling \$300,000 (212,500 minus 162,500 x 6.)

CASE 7: DEPARTMENT OF LABOR AND  
SMALL BUSINESS ADMINISTRATION,  
HYANNIS, MASSACHUSETTS

Agencies of the Department of Labor and the Small Business Administration occupied a total of 555 square feet of office space under a GSA lease that expired in May 1980. Shortly before the lease expiration date, the Small Business Administration requested GSA to provide an additional 305 square feet, raising the total space requirements for Labor and Small Business to 860 square feet. In January 1981, or 8 months after lease expiration, GSA leased new space satisfying the agencies' needs. The reasons for the delay in meeting these small requests were a lack of available space that met GSA requirements for handicapped access and location within the central business area, a Coast Guard space request that disrupted efforts to conclude a lease agreement, GSA's failure to take timely administrative action on the expiring lease, and staff inexperience and turnover.

No Government-owned space was available in Hyannis for meeting the needs of Labor and Small Business and the lease for

their present space had no renewal option. Further, the space did not comply with GSA standards on access by the handicapped and the lessor was unwilling to make the necessary alterations to ensure compliance. For these reasons, GSA's only alternative was to lease new space.

In cases involving expiring leases, GSA normally initiates a space action at least 6 months in advance of the expiration date. In this case, however, due to an administrative delay, GSA took no action until early February 1980, only 4 months before the lease expired, and it did not ask Labor and Small Business whether they needed additional space until late February. Thus, GSA's lead time was only 3 months.

In June 1980, GSA advertised for leased space and received responses from four offerors. Only one location, however, was within Hyannis' central business area. In July GSA began to process a Coast Guard space request for 600 square feet. In conjunction with this request, GSA identified two other locations, but only one complied with handicapped access standards. These events left two potential locations and two options: either combine the Coast Guard's request with those of Labor and Small Business or treat the Coast Guard's request separately. One of the potential locations could accommodate either option, although both locations were being handled by the same realty agent.

In late August GSA sent the realty agent a lease solicitation covering both options. The agent responded in early September with a proposal addressing only the three-agency alternative. Although GSA was prepared to negotiate, the Coast Guard withdrew its space request, forcing GSA to resolicit for a smaller amount of space. In late September, the agent responded with a revised proposal. Thus, the Coast Guard's actions delayed resolution of Labor's and Small Business' requests by about 1 month.

GSA took 3 months to complete lease negotiations, including 1 month to conduct and approve an appraisal of the property's fair market value to assure compliance with the Economy Act limitation on annual rent. In this case, the appraisal was made by a trainee who lacked experience in interpreting and applying the rental limitation criteria. Further, the appraisal had to be approved by a contracting officer who was preparing to leave GSA and had other priorities.

#### OTHER EXAMPLES OF REASONS FOR DELAYS

Several other reasons can cause, exacerbate, or contribute to delays in meeting agency space requests. In some cases, an agency causes delay by changing its space requirements or by not taking timely action. For example:

- A change in space requirements by the Department of Education negated GSA's efforts to provide suitable space. In May 1980, Education requested 34,000 square feet to house its regional office in Boston. GSA gave this request top priority and, within 6 months, was prepared to sign a lease for new space when Education decided to expand the role of its regional office. This change entailed additional requirements which the space GSA proposed to lease could not accommodate.
- The San Francisco office of the Merit Systems Protection Board waited 15 months before contacting GSA to obtain suitable office space. When the Board began operating in January 1979, it occupied temporary space provided by the Office of Personnel Management that was clearly inadequate for its needs. A Board official told us that he contacted GSA in April 1980 when he assumed his position, but did not know why his predecessor had not acted earlier to obtain space through GSA.
- In several space requests we reviewed, delays occurred when agencies did not provide GSA with adequate information to define and validate space requirements or did not provide timely review of proposed space layouts.

In other instances, we found evidence of inadequate documentation and coordination by GSA's personnel. For example, in one space request case, which had lain fallow for several months, the assignment specialist who resumed work on the request found the case file so poorly documented that it was necessary to ask the agency for a written chronology of the actions taken by the previous specialist. In another case, leasing personnel failed to provide timely notice to an assignment specialist concerning a retroactive lease agreement that included expansion space for one of the specialist's agencies. As a result, not only was the agency delayed by 8-1/2 months in occupying available space, but GSA paid about \$10,000 in rent for unoccupied leased space.

Finally, an initial delay can be overcome by outside events that merely result in further delay. For example, the United States Water Resources Council reduced its space request to less than 5,000 square feet because GSA did not have suitable Government-owned space or sufficient lease funds to provide the 8,600 square feet originally requested. In conjunction with the reduced space, GSA persuaded the Council to use systems furniture --that is, modular components such as work surfaces, shelves, and files that can be assembled and organized. Due to certain unrelated management problems, GSA placed a freeze on its systems furniture program after the Council accepted satisfactory space, but before its furniture order could be processed. As a result, the Council was left with space which it could not occupy and GSA was left paying rent on assigned but vacant leased



space. The Council subsequently demanded that GSA immediately provide about 8,500 square feet, virtually the same amount it had requested nearly 2 years earlier. If GSA could have met the Council's original request in a timely manner, it would have avoided the delay resulting from the freeze.

METHODOLOGY FOR SELECTING AND ANALYZINGSPACE REQUESTS ILLUSTRATING REASONS FOR DELAYS

The space request cases and examples we describe in appendix I to illustrate reasons for delays in meeting agency space needs are based on our preliminary review of 354 agency space requests and on our detailed analysis of 15 space request cases.

In planning this review, we intended to develop findings regarding reasons for delays by (1) selecting at random statistically representative samples of agency space requests that were completed during fiscal year 1980 and agency requests that had been outstanding for more than 6 months as of November 1980, (2) analyzing each case in detail to identify specific reasons for delays, and (3) based on the sample results, making statistically valid inferences concerning the populations of agency requests at a 95-percent level of confidence and an estimation error no greater than 5 percent (plus or minus).

We selected and reviewed GSA's working files for 354 space requests, as follows:

	<u>Number of space request reviewed</u>			
	<u>Boston</u>	<u>San Francisco</u>	<u>National Capital</u>	<u>Total</u>
Completed in fiscal year 1980	132	76	-	208
Outstanding longer than 6 months as of November/ December 1980	<u>53</u>	<u>51</u>	<u>42</u>	<u>146</u>
Total	<u>185</u>	<u>127</u>	<u>42</u>	<u>354</u>

We identified several apparent reasons for delays, such as shortages of suitable and available space, GSA's moratoriums on funding of new leases, and the other reasons discussed in chapter 3. However, we were not able to meet our original methodological objectives because of:

- Lack of meaningful or complete data. At the National Capital Region, no meaningful data was available on space requests completed in fiscal year 1980. As a result, we could not identify the population of space request cases and select a statistically valid sample. Further, at all three GSA regions, several case files were incomplete, particularly for those space requests that had been outstanding for long periods of time.

Because of GSA's staff turnover, it was impossible to reconstruct the events of each case and assure that all significant reasons for delays were accounted for.

--Differing perceptions of reasons for delays. In discussing individual cases with GSA's personnel and agency representatives, it was evident that their perceptions of the reasons for delays frequently differed. It was not practical to validate the various reasons cited for each of the cases needed to permit statistically valid generalizations.

As a result of these limitations and on the basis of our preliminary review, we modified our methodology to focus on 15 space request cases which we believed were typical of the problems and reasons for delays GSA encountered in its efforts to meet agency space needs. To ensure that our selections were representative, we discussed each case with space management officials at the cognizant GSA region.

In analyzing each of the 15 cases (see p. 75), we examined GSA's space request working files, held discussions with GSA space specialists assigned to the case, and interviewed officials of the agency involved. Also, for five of the cases, we visited the agency offices to observe space conditions. These agencies included the Federal Labor Relations Authority, Washington, D.C., and San Francisco, California; the Merit Systems Protection Board, San Francisco, California; the U.S. Bankruptcy Court, Providence, Rhode Island; and the Department of Housing and Urban Development, Washington, D.C.



## SPACE REQUEST CASES ANALYZED BY GAO

Agency	GSA region	Date of request	Square feet requested (note a)	Type of request	Request status (note b)	Age of request months (note c)
Department of Housing and Urban Development, Washington, D.C.	National Capital	Aug. 10, 1977	30,000	Consolidation space	Canceled: returned to agency unfilled.	43.2
Social Security Administration Los Angeles, Calif.	San Francisco	Apr. 20, 1978	6,437	Expansion space	Canceled: agency decided to construct own space after GSA was unable to locate suitable space.	33.1
U.S. Metric Board, Arlington, Va.	National Capital	June 5, 1978	8,605	Expansion space	Completed: agency occupied new leased space.	31.3
Defense Contract Administration Services, Los Angeles, Calif.	San Francisco	May 2, 1978	103,878	Expansion space	Pending: no prospects for occupying new space in near future.	34.0
Federal Labor Relations Authority Washington, D.C.	National Capital	Oct. 6, 1978	47,685	New space	Pending: agency accepted offer of new leased space.	30.4
Federal Labor Relations Authority San Francisco, Calif.	San Francisco	Mar. 27, 1979	5,030	New space	Pending: occupancy of new leased space imminent.	23.8
U.S. Bankruptcy Court, Providence, R.I.	Boston	Apr. 6, 1979	4,800	Expansion space	Completed: agency occupied additional temporary space.	23.2
Securities and Exchange Commission Los Angeles, Calif.	San Francisco	Sept. 5, 1979	20,200	Expansion space	Pending: lease under negotiation.	17.9
Secret Service, Washington, D.C.	National Capital	d/Dec. 18, 1978	66,710	Consolidation space	Pending.	28.0
Social Security Administration San Francisco, Calif.	San Francisco	June 25, 1979	131,120	Continuing requirement (lease renewal)	Pending: lease under negotiation.	20.3
Department of Labor/Small Business Administration, Hyannis, Maine	Boston	Feb. 6, 1980	555	Relocation/expansion space	Completed: agency occupied new leased space.	11.9
Department of Education, Boston, Mass.	Boston	May 21, 1980	34,295	New space	Canceled: agency changed space requirements.	8.7
Merit Systems Protection Board, San Francisco, Calif.	San Francisco	Oct. 31, 1980	8,070	Expansion space	Pending: market survey completed.	e/4.1
U.S. Water Resources Council, Washington, D.C.	National Capital	July 17, 1978	8,590	Expansion space	Completed: agency occupied new leased space.	30.6
Veterans Administration, Reno, Nev.	San Francisco	Mar. 6, 1980	16,560	Expansion space	Pending: alterations of new space completed.	11.8

a/Includes office and other space. For completed cases, square feet actually assigned may differ from amount requested.

b/As of date request was completed or canceled or, if pending, date of GAO analysis (March or April 1981).

c/From date of request to date completed or canceled or, if pending, date of GAO analysis.

d/Earlier request of July 1977 did not request specific amount of space (see case 5, app. I).

e/Does not include additional 8 months estimated by GSA as needed to acquire new leased space.

General Services Administration (GSA) Comments  
on the GAO Draft Audit Report Entitled "Changes  
Are Needed If GSA Is To Effectively Meet Federal Agencies  
Space Needs And Promote More Effective Lease Acquisition  
Procedures And Practices" (FA-82-23), dated December 18, 1981

General Comment. We provide the following general comment regarding the text of the audit.

The issue of a prospectus threshold, mentioned on pages 19 and 36 could be more precisely defined by stating the threshold in terms of square footage rather than dollars. This would eliminate the need for adjustments because of inflation. GAO may wish to expand on this and make an appropriate recommendation.

Specific Comments

Recommendation. The Administrator of General Services should prepare a complete inventory of the space requests backlog and a plan of actions, including monitoring, to reduce the backlog.

Comment. Our comments on this recommendation appear under the first recommendation shown on page 2 of this enclosure, which deals with the same subject matter.

Recommendation. The Administrator of General Services should take steps to improve the level of resources devoted to leasing, including efforts to reduce the attrition rate for leasing personnel and supplement the leasing resources as needed.

Comment. A task force is being created by the Commissioner, Public Buildings Service, to implement this recommendation and also to generally improve the timeliness of the leasing process. As is stated in the report, additional realty specialists have been hired. Twenty-seven of the thirty-five authorized in Fiscal Year 1981 have been brought on board, and five additional positions have been authorized for Fiscal Year 1982. Additional action is anticipated in reallocation of personnel resources to leasing activities for Fiscal Year 1983. The high turnover rate for realty specialists has been a source of continued and growing concern for the General Services Administration (GSA). We would welcome more specific GAO suggestions to reverse this trend.

Recommendation. GSA should delegate leasing authority on a trial basis for small blocks of space in non-urban areas. Delegations should be monitored by GSA and expanded or terminated based on agency performance.

Comment. We do not concur. GSA agrees to grant delegations of leasing authority only when it can be demonstrated that such a delegation would be in the best interest of the Government. We do not agree that a "trial" delegation, which would involve extensive resource time for both GSA and the agency receiving the



General  
Services  
Administration

Washington, DC 20405

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JAN 20 1982

Honorable Charles A. Bowsher  
Comptroller General of the United States  
U.S. General Accounting Office  
Washington, DC 20548

Dear Mr. Bowsher:

This is in response to the General Accounting Office (GAO) draft report "Changes Are Needed If GSA Is To Effectively Meet Federal Agencies Space Needs And Promote More Effective Lease Acquisition Procedures And Practices" (FA-82-23), dated December 18, 1981.

It is a measure of our continuing problems in the satisfaction of agency space needs that the recommendations in this report, which have been listed repeatedly in GAO and internal audits, can still be made with accuracy in this new report. However, we have taken and are continuing to take action to correct these problems, as is explained in our specific comments to the report's recommendations appearing in the enclosure to this letter.

Sincerely,

For the Comptroller  
I

GAO note: Page references in this appendix refer to pages in the draft report.

With respect to including information relating to agency space demand in the GSA annual report, we believe that this would be of limited value since this information would be outdated by the time it would reach the Congress and because the data is available upon request at any time. Therefore, we do not believe that including it in the report would serve a useful purpose.

Recommendation. The Administrator of General Services should follow through with the issuance of a Government-wide regulation specifying the policies and procedures which the agencies must follow in acquiring leased space.

Comment. This recommendation has merit and is in the implementation stage as part of the streamlining of new lease acquisition procedures. This recommendation is scheduled for completion by the end of the second quarter FY 1982.

Recommendation. The Administrator of General Services should establish and implement a program providing for systematic monitoring of agency compliance with the Government-wide regulation.

Comment. GSA concurs and we will increase our monitoring of efforts. More specific implementation action will be included in our response to the final GAO report.

Recommendation. The Administrator of General Services should assure that those agencies granted authority (for leasing) are furnished with GSA directives, instructions, and other publications that provide guidance on the scope, applicability and implementation of Federal leasing policies, regulations and procedures.

Comment. GSA concurs in principle. Published regulations on leasing should be reviewed and followed, where applicable, by an agency with delegated leasing authority. However, internal GSA directives and guidelines need not be binding over other agencies. GSA's recently published handbook on the acquisition of leasehold interests in real property is available to all agencies upon request.

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delegation, would be prudent or cost effective. GSA can see no advantage to such a delegation since other agencies would have to do the same job (travel, procurement process, award justification) which GSA already provides. There is no statement in the audit about the quantity or quality of facility specialists in other agencies upon whom the workload of delegated leases would fall.

Recommendation. The Administrator of General Services should:

- Maintain statistics on the volume of agency space requests, and
- Disclose in the GSA annual report to the Congress information on GSA's performance in filling space requests and the factors that impede timely service.

Comment. In October 1980, we issued a new procedure for the classification of agency space requests. This procedure classifies space requests into eight different categories which permit identification of agency expansion requirements and provide a picture of each region's workload relating to agency space demand.

We have developed an automated space tracking and monitoring system utilizing the categories of space requests which provides the complete status of all space requests, including the backlog. This tracking system provides data at a national and regional level both at summary and detail levels which provides the monitoring capability and the statistical data recommended in the report.

On November 24, 1981, GSA wrote to the Heads of Federal agencies concerning their outstanding space demand and included a complete inventory of each agency's pending expansion space requests. It requested that they review this demand and advise us as to whether it is still required in view of the Administration's efforts to reduce the size of the Federal Government. In addition, it asked that space still required be assigned relative priority. Based upon responses that have been received, agencies are confirming their needs and have canceled only a minimal amount of requested space.

Reduction of the Social Security Administration (SSA) space request backlog is presently being accomplished by joint GSA-HHS space acquisition teams. We expect that marked and significant progress will be made in this area by March 31, 1982, as previously promised. The backlog will be eliminated by October 1982 and a processing system in place to assure that all new space requests are processed to completion by 190 to 265 days--a goal set by SSA as satisfactory.

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