

GAO

Report to the Chairman, Subcommittee
on Public Buildings and Grounds,
Committee on Public Works and
Transportation, House of
Representatives

September 1992

DOT Headquarters

Unclear Whether Union Station Site Is Best Location



147678



**United States
General Accounting Office
Washington, D.C. 20548**

General Government Division

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The Honorable Gus Savage
Chairman, Subcommittee on Public
Buildings and Grounds
Committee on Public Works and
Transportation
House of Representatives

Dear Mr. Chairman:

This report responds to your request that we review the site the General Services Administration (GSA) has proposed for a consolidated Department of Transportation (DOT) headquarters building. The site would use the air rights over the railroad tracks directly behind Union Station in Washington, D.C. You asked us to focus on determining if this site would increase congestion and noise in the area, if air rights construction would increase costs, and whether alternative sites were adequately considered. In addition, when we briefed the Subcommittee on our findings on July 2, 1992, we were asked to obtain additional information on how air rights construction at Union Station would affect the National Railroad Passenger Corporation's (AMTRAK) operations. This report summarizes all of the information you requested.

Results in Brief

The executive branch is unclear about where the DOT headquarters should be located. Although it has proposed the air rights site for a number of years, the executive branch has recently been interested in the Federal Triangle Building. However, neither site would achieve a full consolidation of DOT headquarters, and there has been no clear determination of the extent to which the DOT headquarters needs to be consolidated. Further, GSA has no clear policy or strategic plan for consolidations that considers alternatives such as moving nonessential agency components outside of the District of Columbia. Since these issues have not been resolved, it is difficult to make a convincing case for selection of the air rights site.

According to a draft environmental impact statement (EIS) prepared on the air rights site and three other sites being considered, all four sites would increase traffic congestion in the North Capitol Street area. However, the air rights site would cause less congestion than the other three sites. Moreover, DOT said that increased traffic congestion would occur at any site in the District of Columbia area chosen for the relocation of a department as large as DOT. By 2010, the conditions at any of the four sites

would require traffic mitigation such as changes in traffic and parking rules or widening of streets. None of the four alternatives would increase noise levels in their surrounding neighborhoods, according to the draft EIS. The draft EIS indicated that of the four alternatives, the air rights option has the least negative environmental impact.

Developers experienced in air rights construction said that although it is more expensive to construct buildings using air rights, total project costs are generally comparable to conventional construction because air rights are less expensive than land; this lower cost would offset the increased construction costs. However, some development professionals said GSA's \$521 million construction cost estimate for an air rights building may be as much as 10 percent too high because of its generous escalation and contingency assumptions.

Although in the past DOT and GSA have considered the air rights proposal and six other buildings on developer-owned land for a consolidated headquarters, they have not considered advertising for land only. DOT and GSA considered but rejected the Southeast Federal Center, which would be adjacent to the Navy Yard, because it would not suit DOT's consolidation plans and because the planned multi-agency occupancy of the site would not accommodate DOT's size. Absent a solicitation of land offers, GSA and DOT cannot be assured that all possible sites have been considered. Further, if consolidation is not pursued, other options could be considered.

AMTRAK officials said that the amount of disruption to train operations from air rights construction would depend on the number of railroad tracks that would be taken out of service at any one time during construction. Consultants involved in planning the project said they could meet AMTRAK's operating requirements by taking only two tracks out of service at a time. AMTRAK officials said that the finished project would improve operations by sheltering platforms and passengers from inclement weather.

Scope and Methodology

Our review involved interviewing agency officials and reviewing documents related to the sites considered. We interviewed officials from DOT, GSA, and AMTRAK. We also interviewed private sector consultants and real estate professionals. To obtain information about the sites considered, we reviewed the GSA prospectus for the air rights site; consultant studies, including the draft EIS; internal agency documents; and the master plan for the Southeast Federal Center. We also compared DOT's consolidation plans

with those of other departments by analyzing GSA data on the space occupied by the 14 cabinet-level departments in the Washington, D.C., metropolitan area and their consolidation plans. A detailed description of our objectives, scope, and methodology is provided in appendix I.

Background

DOT headquarters personnel are currently housed primarily in three buildings: the Nassif Building, the Transpoint Building, and Federal Office Building (FOB) 10-A, all in Southwest Washington, D.C. Leases for the Nassif and Transpoint buildings will expire by the year 2000. FOB 10-A is government-owned but requires major renovations. DOT and GSA would like to consolidate most DOT headquarters personnel into government-owned buildings at fewer sites and move out of leased space.

DOT and GSA have proposed, as an alternative, constructing a 1.7-million occupiable square foot (OSF) headquarters building using the government-owned and AMTRAK air rights over the railroad tracks, which extend north to K Street, N.E., behind Union Station in Washington, D.C.¹ Approximately 8,000 of DOT's 12,000 Washington, D.C.-based headquarters employees would occupy the new building, with most of the remainder to be housed in FOB 10-A and FOB 10-B, two government-owned buildings that would be renovated.²

On three occasions, DOT and GSA examined potential sites for a new DOT headquarters. In April 1989, GSA advertised for 2.2 million OSF of leased space in Washington, D.C., with renewal and purchase options. The four responses to the advertisement were not viable because either they were not large enough, were too expensive, or were withdrawn. In January 1990, DOT and GSA explored the possibility of building a headquarters using the air rights the government owns at Union Station combined with land located directly east of the station to be purchased from Second Street Limited Partnership.³ However, DOT and the Partnership could not agree on a price and other conditions for the sale of the land. In April 1990, DOT revised its space needs to 2.4 million OSF based on updated staffing requirements.

¹Using an average ratio of .73 occupiable square foot to 1 gross office square foot, this equates to 2.3 million gross office square feet. The proposed building would also have about 600,000 square feet of parking space.

²DOT has approximately 110,000 employees in total.

³The partners are CSX Realty, Metropolitan Structures, and Quadrangle Development Corporation. Hereafter, the site is referred to as "CSX land."

The House Subcommittee on Public Buildings and Grounds held hearings on the DOT relocation in June 1990. After these hearings, the Subcommittee, believing that DOT's needs could be met at prices advantageous to the government due to existing real estate market conditions, asked GSA to advertise for expressions of interest to build a 1.9 million OSF government-owned building. That size assumed GSA would retain and renovate FOB 10-A to achieve the total 2.4 million OSF needed. GSA received six responses to its August 1990 advertisement. Three of the six responses met DOT's and GSA's size and other criteria and are currently being evaluated: (1) the CSX land adjacent to Union Station combined with Union Station air rights; (2) Union Center Plaza at 1st and K Streets, N.E.; and (3) Woodies Warehouse (also called North Union Square) at 1st and M Streets, N.E.⁴ A map of the sites being considered is in appendix II.

When DOT found that it could not construct a 1.9 million OSF building within the budget approved by the Office of Management and Budget, the size was reduced to 1.7 million OSF, and FOB 10-B was added to the proposal to meet the total 2.4 million OSF requirement. In August 1990, DOT and GSA began exploring a new air rights configuration that combined the government-owned air rights at Union Station with additional air rights directly to the north to be purchased from AMTRAK.

According to GSA officials, the Bush administration and Congress recently proposed placing a significant portion of DOT and Environmental Protection Agency (EPA) management in the Federal Triangle Building, which is currently being constructed at 13th Street and Pennsylvania Avenue in Northwest Washington. Both EPA and DOT would each have 675,000 OSF of space in the building, with 50,000 OSF of common space. Proponents of the defunct International Cultural and Trade Center idea, which was planned for that site, want to retain a trade theme for the building.⁵ The DOT and EPA housing proposal retains an additional 500,000 square feet for trade related activities. The Bush administration believes that placing DOT and EPA executives in the building is consistent both with the trade theme and with the building's monumental design. This site is also shown on the map in appendix II.

⁴Subsequent to the June 1990 hearings on the DOT relocation, the Second Street Limited Partnership maintained its interest in developing the air rights site combined with their land. GSA and DOT have continued to consider this an option assuming they could reach agreement with the Partnership on the terms of the development of the two sites.

⁵Originally, this site was to house federal agencies and trade organizations. This concept was rejected when an economic analysis showed that the trade-related activities would not produce enough revenue to support the cost of the building. Although the Federal Triangle Building is currently under construction, trade-related tenants have not yet been selected.

Environmental Impact of Consolidated Building

The National Environmental Policy Act requires federal agencies to analyze the environmental impact of major federal projects such as the proposed DOT headquarters. In this regard, the National Capital Planning Commission (NCPC), the primary planning and review agency for federal projects in Washington, D.C., asked DOT and GSA to study the impact of increased traffic and the size and mass of the proposed air rights building on the character and views of the surrounding area. DOT said NCPC's concerns are not unique to the air rights site and that NCPC would have similar concerns over any site where so many workers would be concentrated.

In 1990, DOT contracted with 3D/International, Inc. (3D/I) to prepare an EIS comparing the air rights option to the three other sites being considered and to a no-action scenario. This analysis did not include the Federal Triangle Building option. A draft of the EIS has been completed by 3D/I except for computerized simulations of the visual impact of each option on the surrounding views. In April 1992, we learned that DOT and GSA had told 3D/I to defer further analysis until a decision has been made on the proposal to place a portion of DOT in the Federal Triangle Building.

Of its \$1,019,492 contract with 3D/I, the government has paid \$860,340 for work completed to date. DOT and GSA have decided that it would be inadvisable at this time to complete the EIS because doing so would require public hearings. Because DOT may consolidate elsewhere, the public hearings could raise false expectations, according to DOT and GSA.

The draft EIS predicted that the air rights proposal would have no negative effect on land use, socioeconomics, air quality, and sound levels. All options would have negative effects on traffic congestion by the year 2010, and would, therefore, require mitigation efforts. According to the draft EIS, although none of the alternatives would increase noise levels in the surrounding area, noise levels for all sites are already considered unacceptably high. All options have historic resources on site that may have to be protected during construction. The draft EIS did not recommend a specific option but suggested that the air rights option has the least negative environmental impact. A more complete discussion of environmental impact of the four options is in appendix III.

Air Rights Construction Would Not Increase Total Costs, but GSA's Estimate May Be High

The complexity and estimated cost of the project was increased with DOT's proposal to build entirely on air rights, including those north of H Street, N.E., as opposed to a previous proposal to build on the Union Station air rights and on the CSX land directly east of the DOT air rights. Since the railroad tracks north of H Street, N.E., are irregularly spaced and converge at the northern portion of the site, this portion of the building would be more complex and time consuming to build. A construction industry professional experienced in building air rights projects said this may involve designing a longer span to support the platform and realigning railroad tracks to accommodate the placement of columns.⁶ Such construction practices are more expensive than those for regularly spaced railroad tracks.

According to this professional, there is no mystique about construction on air rights rather than on land. Generally, such projects require extensive planning before construction. Unforeseen problems that may occur usually involve the subsurface. For example, test borings that show an area is clear for placing a support column may miss an obstruction, causing a delay during column installation. GSA and DOT officials said that similar problems could arise with construction on conventional sites. However, the construction professional we contacted said the cost of delays for air rights projects are almost always higher than for land projects because of the interaction with the working railroad.

DOT and GSA have estimated the total construction costs of the proposed air rights building, including inflation, through the estimated midpoint of construction in early 1996, at \$521 million, or \$227 per gross office square foot. This excludes costs for design, management, inspection, and the air rights. DOT and developers with experience in air rights construction have indicated that these construction costs are higher than those for land projects due to the complexity of the construction. However, DOT said that the low cost of purchasing air rights relative to purchasing land results in total project costs comparable to those for land construction. The total estimated cost, including design, management, inspection, and air rights costs, is \$591 million, or \$257 per gross office square foot. The total budget

⁶With air rights construction, the building is elevated over obstructions such as railroad tracks or highway lanes. A platform constructed over these obstructions serves as the base of the building.

for the building program is \$624.9 million, including \$33.4 million for the nonstandard costs of renovating FOBS 10-A and 10-B.⁷

As you requested, we asked the Pennsylvania Avenue Development Corporation (PADC) to review the DOT/GSA air rights building cost estimate prepared by 3DA.⁸ PADC reviewed the estimate and concluded that it may be high due to generous escalation and contingency assumptions. In its opinion, the construction cost of \$521 million may be overestimated by as much as 10 percent. On the basis of its assumption, PADC thought that construction costs should be closer to \$475 million, for a total project cost of \$545 million, or \$46 million lower than the DOT/GSA estimate of \$591 million. This would reduce the total project cost per office square foot from \$257 to \$237 and make the air rights proposal comparable to two of the other three sites being considered.⁹ The preliminary cost proposals for the four alternatives showed that the air rights proposal would be the most expensive. These costs are summarized in appendix IV.

PADC's opinion is similar to our March 1991 report on GSA's cost estimate for a proposed new Naval Systems Commands headquarters building.¹⁰ In that report, we said that GSA's \$273.8 million estimate for a building with 1 million square feet of occupiable space may be overstated by \$16 million. We also compared 10 recent GSA estimates for repair and alterations projects and found that the contract awards were 9-percent lower on average than the estimates. We spoke with GSA's Chief Engineer for Design and Construction, who said that GSA generally estimates high to ensure that appropriations will be sufficient to cover the cost of contract awards and make less likely the need to ask for supplemental appropriations.

As you requested, we asked GSA and DOT officials to provide an updated cost estimate of the air rights building assuming a 2-year delay in the project. GSA and DOT officials said they believe market conditions are such

⁷The prospectus for the DOT consolidation includes only nonstandard renovation costs for FOBS 10-A and 10-B. The nonstandard renovations will include tenant improvements not provided by GSA, such as fiber optics and a secure space for the Coast Guard's intelligence operations. GSA will fund the standard renovation costs and submit a separate prospectus for those buildings. Preliminary GSA estimates of these costs are \$66.8 million for FOB 10-A and \$55.9 million for FOB 10-B.

⁸PADC is a federal agency responsible for revitalizing Pennsylvania Avenue between the White House and the Capitol. Among other development activities, PADC was charged with managing the design and construction of the Federal Triangle Project (previously planned as the International Cultural and Trade Center).

⁹The estimated cost for one of the four sites under consideration is not available.

¹⁰Navy Office Space: Cost Estimate for Consolidating the Naval Systems Commands May Be High (GAO/GGD-91-61, Mar. 8, 1991).

that no further escalation would be required because of a 2-year delay. They believe the building could be built within the current budget.

We also compared GSA's estimated costs of the proposed DOT building to four other recent GSA proposed/constructed federal projects in the Washington, D.C., area. After adjusting estimated construction cost inflation across projects to a common year, 1993, we found that the DOT costs were similar to the proposed FBI and Navy buildings and to the Federal Triangle and Judiciary buildings now under construction. Because GSA estimated the costs for all of these projects, this analysis only shows that the air rights building is not out of line with other GSA estimates. See appendix V.

DOT and GSA Considered Some Other Sites but Did Not Consider Purchasing Land

DOT and GSA considered six projects offered by developers who responded to the August 1990 advertisement for expressions of interest to construct a building for government ownership. Of the six, only three met DOT's requirements for size, zoning, site ownership, parking space, and proximity to Metrorail.

GSA and DOT officials do not believe the Southeast Federal Center could accommodate a DOT headquarters. DOT and GSA officials said that the NCPC-approved plan envisions multi-agency occupancy at this site in about 10 smaller-scale buildings. They concluded that because of its size, DOT would dominate the site. The master plan for the site suggests that it could house departments or allow agency consolidations. While it does not indicate that many tenants have to occupy the site, GSA and DOT officials said that the master plan suggests multi-use development for the site. The first phase of development will accommodate 2.6 million OSF. Since GSA headquarters and the Army Corps of Engineers have already committed to 1.4 million OSF of this area, not enough space remains to house DOT. The second phase, which will add 1.5 million OSF, will not begin for at least another decade.

Although GSA considered purchasing land adjacent to Union Station on behalf of DOT, it had not considered advertising for the purchase of land in Washington, D.C. According to DOT and GSA, sizable parcels of land are not generally available for sale within the area designated by DOT because developers find it more profitable to develop the land themselves.¹¹ Also, DOT officials said that in 1990, when GSA advertised for expressions of

¹¹GSA and DOT have specified that the site should be located in Washington, D.C., in an area bounded on the north by M Street, N.W.—on the south by the north bank of the Anacostia River—on the east by 2nd Street, N.E. and 5th Street, S.E.—and on the west by 23rd Street, N.W.

interest to construct the DOT headquarters, GSA favored the design/build approach because some GSA officials thought it was more efficient than holding separate competitions for site acquisition, design, and construction.

According to several major real estate brokers in Washington, D.C., that we contacted, a few sites large enough to accommodate DOT might now be available. These brokers said that in the near term, the downturn in the real estate market in the District makes purchasing land at reasonable prices more possible now than during the peak period of the late 1980s. Developers who borrowed heavily to purchase large tracts of land in the Union Station and North Capitol Street areas face defaulting on those loans and may be more willing to sell their assemblages, the brokers said. However, they added that in 5 to 10 years, the market is expected to have regained some strength, and developers will be less willing to sell land at today's prices.

DOT and GSA officials said they did not consider locating DOT's headquarters in Maryland or Virginia because DOT's enabling legislation requires the department to be headquartered in the District of Columbia. However, beyond providing that DOT is an executive department at the seat of government, the legislation does not address location of office space for all components of DOT. For example, the departments of Commerce and the Interior are also established at the seat of government, but both departments have offices located in Maryland and Virginia, where land is generally less expensive than in the District of Columbia.

Finally, we believe that until an attempt is made to solicit land offers, GSA and DOT cannot be assured that all possible sites have been identified.

Impact of Air Rights Construction on AMTRAK Operations

DOT and GSA had 3D/I prepare a study to predict the impact of air rights construction on AMTRAK operations, but DOT and GSA said they did not forward the study to AMTRAK due to the preliminary stages of the project and the cost that AMTRAK would have to incur to review it. AMTRAK officials said that the impact of construction over its tracks will depend on how much of the station is taken out of service at a time to build the platform. AMTRAK officials said they knew of only one plan in which 3D/I proposed to take one-third of AMTRAK's tracks out of operation at one time. AMTRAK officials said this would have been impossible because it would have been too disruptive to train operations. The 3D/I estimate of air rights construction costs was based on the assumption that two tracks at a time

would be taken out of service during platform construction. According to 3D/I, this conformed with AMTRAK's requirements.

AMTRAK officials also expressed concern about the safety of construction workers. AMTRAK employees who work near the tracks undergo extensive safety training and are required to follow many safety procedures. AMTRAK officials said they would need to provide extensive safety supervision of the construction workers, perhaps involving as many as 20 AMTRAK employees.

AMTRAK officials also described positive aspects of the project for the railroad operation. They said the platform would protect the tracks from inclement weather, and the station would benefit from the many site improvements included in the project.

Employee Interviews Question Need for Consolidation

DOT has evaluated sites based on the assumption that most employees need to be consolidated, but DOT has not provided convincing analysis to support this need. According to DOT, the need to consolidate stems from its belief that a more integrated national transportation policy requires the various operating administrations of DOT, such as the Federal Aviation Administration, the Coast Guard, and the Federal Highway Administration, which are currently in separate locations, to physically integrate with the Office of the Secretary.

The Union Station Redevelopment Corporation provided funding for the GA/Partners consulting firm to assess the economic feasibility of the Union Station air rights combined with CSX land proposal and identify the benefits of consolidation.¹² The GA/Partners study incorporated the findings of another DOT consultant, Peck & Peck, who interviewed key personnel in each DOT operating division in 1988. From the Peck & Peck study, GA/Partners concluded that employees had strong within-division adjacency needs (73 percent) but relatively low between-division adjacency requirements (38 percent). However, GA/Partners also concluded that DOT's desire to achieve greater integration of headquarters employees across divisions overrides the opinions of the employees interviewed.

Other consolidation benefits cited by GA/Partners are increased space efficiency and room for agency expansion. However, the study did not

¹²Although the Union Station Redevelopment Corporation commissioned the GA/Partners study, it has been used primarily by DOT in its headquarters planning.

provide evidence that these goals can only be achieved through a consolidation of all key DOT headquarters staff in one building, as opposed to locating the headquarters components of the various operating administrations in different buildings.

Other Departments Are More Dispersed Than DOT

GSA does not plan strategically to determine whether and to what extent departments should be consolidated or recognize new housing needs far enough in advance to locate sites for large-scale projects. GSA officials said that most consolidation efforts are initiated by agencies. Therefore, GSA and Congress consider these projects individually rather than as part of an overall plan. We obtained information from GSA regarding the headquarters of the departments in the Washington, D.C., metropolitan area.¹³ These data showed the following:

- The 14 cabinet departments have about 206,000 employees located in 420 locations (341 leased, 79 owned) in the area.
- The number of locations per department ranges from 5 (Department of Education) to 114 (Department of Defense). DOT has employees in seven locations. Eleven of the 14 departments have more locations than DOT.
- The 14 departments' headquarters range in size from approximately 3,500 employees (Department of Education) to approximately 50,000 employees (Department of Defense). DOT has about 11,000 headquarters employees. Seven departments have more headquarters employees than DOT.
- GSA has plans to completely consolidate 2 of the 14 departments: the Department of Education (3,500 employees now in 5 locations) and DOT (11,300 employees now in 7 locations). It also plans to partially consolidate components of two other departments: the Department of the Treasury (5,700 of 20,000 employees now in 22 locations) and the Department of Justice (18,600 of 24,000 employees in 30 locations). It has no consolidation plans for the remaining 10 departments.
- With present plans, the 420 current locations will only be reduced to 384 locations—an insignificant consolidation result.

See tables VI.1 and VI.2 in appendix VI for more detailed information about departmental headquarters locations and consolidation efforts.

Conclusions

We are unconvinced, despite its feasibility, that constructing a DOT headquarters building using air rights behind Union Station has been

¹³GSA's database excludes buildings managed by agencies other than GSA. While GSA manages most federal office space, an example of a building they do not manage is the Pentagon, which is managed by the Department of Defense.

shown to be the best solution to DOT's headquarters facility needs. The executive branch is unclear as to where the DOT headquarters should be located: at the air rights site behind Union Station or the Federal Triangle Building. Neither option will achieve a full consolidation, and DOT has not demonstrated the need for a full consolidation. After a determination is made about the extent to which DOT needs to be consolidated, GSA and DOT need to decide where to meet that requirement—in the District of Columbia; in the Metropolitan Washington, D.C., area; or perhaps in a combination of locations.

Further, although the draft EIS indicated that the air rights site may have less adverse environmental impact than the other alternatives, constructing on the air rights site may be more complicated than other alternatives. We also believe GSA's estimate of the cost of constructing on the air rights site may be high. Also, unless GSA and DOT solicit space for land, they cannot be sure that all possible sites in the District have been considered.

While a comprehensive review of GSA's process to plan and review executive branch consolidations was beyond the scope of our work, it appears that the challenges of finding consolidated space for DOT in the District may not be unique. Both Congress and GSA have focused on specific agency requests for consolidation as they have arisen, with no clear policy on consolidations. Without a clear policy, there has been no consideration given to whether a strategic plan for all of the Washington, D.C., metropolitan area department headquarters is needed, considering both consolidation and alternatives to consolidation such as moving noncritical agency components to locations outside the District of Columbia. Our limited work was not designed to answer the broad question of whether DOT headquarters needs to be consolidated or where to best house DOT. However, our work does raise questions about whether GSA and DOT have made a convincing case for their selection of the air rights site.

Agency Comments

We discussed a draft of this report with GSA and DOT officials in August 1992. They generally disagreed with our conclusions.

Regarding the environmental impact of the proposed site, they said the adverse traffic impact cited in the draft EIS is misleading because an impact would occur anywhere in the District where 8,000 people were moved.

GSA and DOT made a number of comments regarding our criticism of their cost estimate for the proposed air rights building. GSA said they typically project costs on the high side because Congress approves budgets for building programs far in advance of construction and they prefer to have some flexibility in the budget. They pointed out that PADC did not question the accuracy of their unit costs of the air rights proposal but indicated that the escalation and contingency estimates were high. GSA reiterated that it estimates these costs liberally because their budget is determined early in the process. GSA said their method of estimating escalation and contingency costs is in accordance with standard operating procedures they would follow for any new construction project. GSA and DOT agreed that building over a working railroad adds to the cost of the project but said that they had factored this into their cost estimate.

Regarding our finding that they did not consider advertising for the purchase of land for a new headquarters, GSA and DOT responded that although it may be possible to solicit offers for land only, they determined that such action would be inappropriate because (1) it would be contrary to the federal practice of not removing additional substantial tracts of land from the Washington, D.C., tax rolls; (2) the government already owns a number of tracts that are available for development; and (3) DOT is obligated by the Union Station Redevelopment Act of 1981 to develop the air rights site.

We disagree with DOT and GSA for several reasons. First, when we asked GSA for clarification on the practice of not removing tracts of land from the Washington, D.C., tax rolls, GSA said it had no such policy or practice per se. However, when acquiring land, GSA said it first considers using government-owned land, if available. Also, the NCPA Comprehensive Plan for the national capital area states that the government should consider using government facilities before purchasing additional land. Neither of these policies advocates preserving local tax revenues by prohibiting government purchase of privately held land. We said in a previous report that the government should adopt a more businesslike approach to facilities location by selecting sites that maximize value to the government, rather than selecting sites based on other considerations.¹⁴ Also, until DOT and GSA determine the degree to which DOT has to be consolidated and whether noncritical components have to be located in the District of Columbia, they cannot determine the optimum location for DOT components. Further, if government-owned land is already available in

¹⁴Facilities Location Policy: GSA Should Propose a More Consistent and Businesslike Approach (GAO/GGD-90-109, Sept. 28, 1990).

the District of Columbia, GSA should have identified these tracts and, if they are suitable, use them for the DOT headquarters.

Regarding the Union Station Redevelopment Act, our analysis indicated that DOT is not mandated to develop the air rights. Rather, they were mandated to complete by 1981 a planning and marketing feasibility study of the further commercial development of the Union Station complex, which includes the air rights. The legislative history for the act refers to 80,000 square feet of space in the existing structure that could be used to accommodate DOT or other federal or local public transportation agencies but does not indicate that the air rights be developed for government use.

Regarding our conclusion that there is a lack of strategic planning for consolidations, GSA said it would like to engage in strategic planning but that such long-term, governmentwide planning is difficult to do because Congress often interferes in location and other planning decisions.

GSA and DOT suggested minor changes that we incorporated throughout the report where appropriate.

As arranged with the Subcommittee, we are sending copies of this report to the Secretary of Transportation, the Administrator of GSA, the Director of the Office of Management and Budget, cognizant congressional committees, and other interested parties. We will also make copies available to others upon request.

The major contributors to this report are listed in appendix VII. If you have any questions, please call me on (202) 275-8676.

Sincerely yours,



L. Nye Stevens
Director, Government Business
Operations and Information Issues

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Abbreviations

3D/I	3/D International Inc.
AMTRAK	National Railroad Passenger Corporation
DOT	Department of Transportation
EIS	environmental impact statement
EPA	Environmental Protection Agency
FBI	Federal Bureau of Investigation
FOB	federal office building
GSA	General Services Administration
IRS	Internal Revenue Service
NCPC	National Capital Planning Commission
OSF	occupiable square foot/feet
PADC	Pennsylvania Avenue Development Corporation
SS	Secret Service

Objectives, Scope, and Methodology

Our objectives regarding the Department of Transportation (DOT) and General Services Administration (GSA) proposal to construct a headquarters for DOT using the air rights over the railroad tracks behind Union Station were to determine (1) if it would have adverse environmental effects; (2) if construction costs would be higher than expected because of the use of air rights; (3) whether other sites were adequately considered, particularly the proposed Southeast Federal Center; and (4) if adverse effects on the National Railroad Passenger Corporation's (AMTRAK) operations would result from air rights construction.

For general information about the development of the headquarters proposal, we interviewed the following agency officials: the Deputy Assistant Secretary for Administration and the Project Director of the Headquarters Building Acquisition Project at DOT and the directors of the Development and Planning staffs and the Development Director of the Public Building Service at GSA's National Capital Region. We also reviewed testimony by GSA and DOT officials on the air rights proposal, the Union Station Redevelopment Act of 1981, and the 1982 Union Station Marketing and Planning Study.

To review the environmental consequences of constructing an air rights building, we analyzed the draft environmental impact statement (EIS) prepared by DOT's consultant and interviewed National Capital Planning Commission (NCPD) officials.

We analyzed the estimated costs of the air rights building by reviewing GSA's prospectus for the air rights building and various scoping, feasibility, and cost studies prepared by consultants. GSA provided cost data on other recent federal construction projects for comparison to the air rights building. As you requested, we also interviewed development professionals at the Pennsylvania Avenue Development Corporation (PADC) about the reasonableness of the cost estimates. For information about the feasibility of air rights construction, we reviewed reports on air rights development and interviewed an engineering professional with the Chicago firm Metropolitan Structures, which has had experience designing air rights projects.

To learn about the site selection process, we reviewed GSA's documentation of responses to its two advertisements for expressions of interest and its methodology for screening the responses. We reviewed the master plan for the Southeast Federal Center, toured the site, and

interviewed the GSA official responsible for developing the site. We discussed the current state of the District of Columbia real estate market with real estate professionals from several prominent Washington, D.C., real estate firms: Barnes, Morris, Pardoe & Foster; Grubb & Ellis; Cushman & Wakefield; Smithy Braedon; and Julien J. Studley.

To determine the impact of air rights construction on AMTRAK's operations, we toured the air rights site, interviewed AMTRAK officials, and interviewed other engineers with experience in constructing buildings over working rail operations.

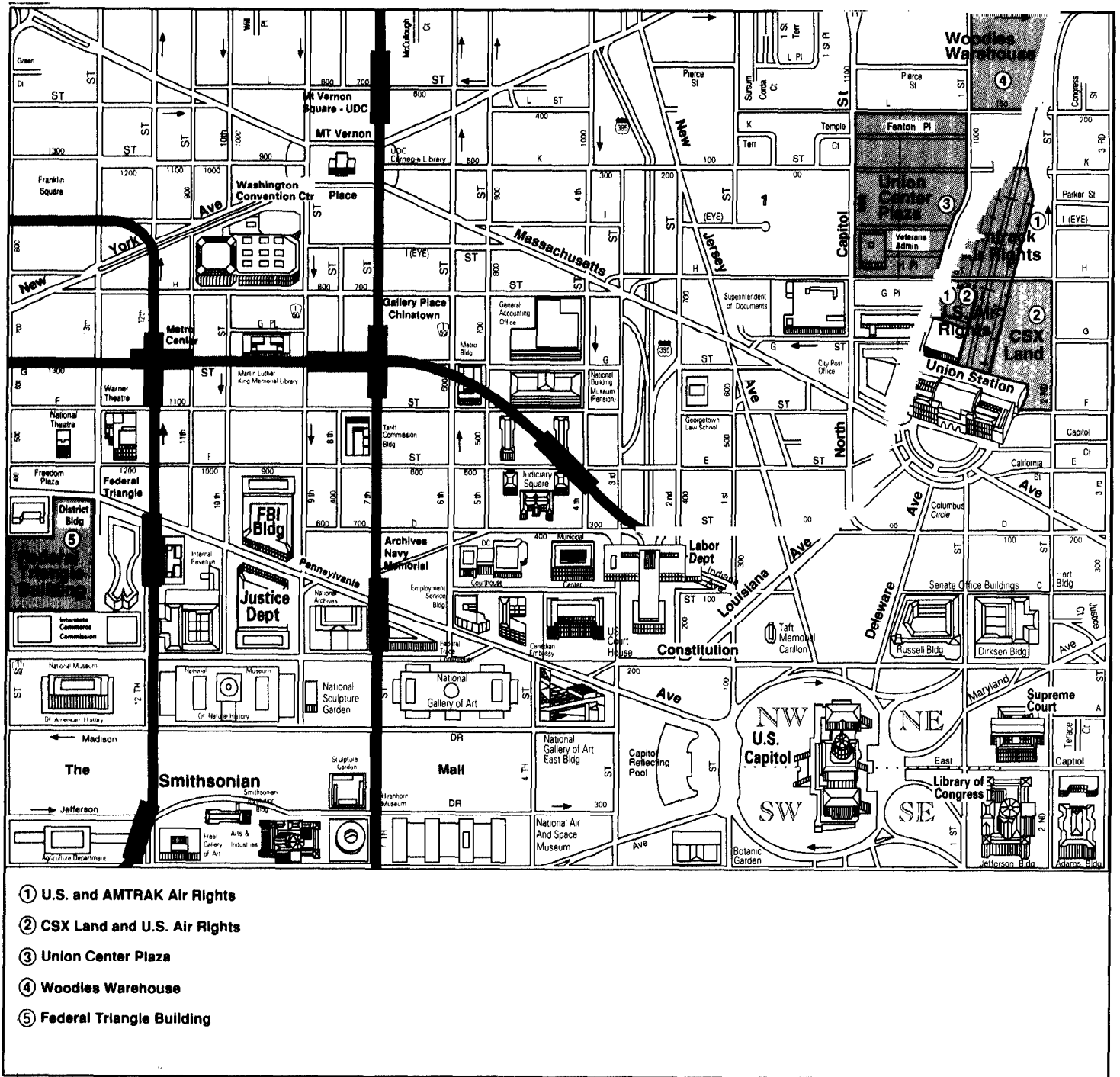
We also reviewed consultants' studies on the space and adjacency needs of DOT employees and DOT's national transportation policy report to obtain information on DOT's need for consolidation.

Data on departmental headquarters locations were taken from GSA's Quarterly Report on Assignment and Utilization of GSA Controlled Space in the National Capital Region.¹⁵

We did our work from January through August 1992 in accordance with generally accepted government auditing standards.

¹⁵June 30, 1991, pp. 1-72.

Map of Potential DOT Headquarters Sites



Source: Copyright by ADC The Map People® . USED WITH PERMISSION.

Environmental Impact of the Five Options

DOT's draft EIS examined the impact of four sites for its consolidated headquarters and the impact of a no-action option. The EIS studied impact on land use, socioeconomics, views and aesthetics, transportation and parking, air quality, sound levels, and historic resources. The alternatives are abbreviated as follows:

- Option 1 - Union Station and AMTRAK air rights
- Option 2 - Union Station air rights and CSX land
- Option 3 - Union Center Plaza
- Option 4 - Woodies warehouse (North Union Square)
- Option 5 - No action (DOT would remain in current buildings)

Land Use

The draft EIS evaluated the five headquarters options for their conformity with federal and local land use laws, regulations, and policies. NCPC considers both federal and local development standards and goals in approving projects. The negative impacts on land use are described below.

According to the draft EIS, option 1 would not conflict with any of NCPC's stated land use goals. One of these goals is to locate federal employees in existing federal facilities. We disagree with the conclusion that option 1 fulfills this goal because government-owned and AMTRAK-owned air rights do not constitute existing federal facilities.

The draft EIS indicated that options 3 and 4 would not fulfill NCPC's goal of locating federal employees in existing federal facilities and that option 2 would partially fulfill this goal due to its partial reliance on government-owned air rights. We do not agree that air rights constitute an existing federal facility and, therefore, believe that option 2 would not meet this goal. Option 2 would not be consistent with the existing lower-density commercial and institutional structures on the east side of 2nd Street, N.E. Finally, because it is located several blocks away from Union Station, option 4 would not meet the local planning goal to emphasize the link between future commercial development and the Union Station complex.

Socioeconomic

The draft EIS assessed the impact of each option on the social characteristics and economic conditions of the surrounding area. None of the options would cause residential displacement or long-term economic impacts on local payrolls, employment levels, or residential distribution. Each option would enhance the local real estate market. However, the

draft EIS found that options 2, 3, and 4 would have a long-term negative impact on Washington, D.C., real estate tax revenues because the federal government would displace private, taxpaying commercial uses. Option 1 is currently exempt from property taxes. However, AMTRAK officials said they would be willing to market their air rights to either public or private entities for development. A private entity would be liable for the property taxes associated with the site.

Visual/Aesthetic

The draft EIS evaluated the options for their visual compliance with building height regulations and the traditions of L'Enfant's and McMillan's plans for the nation's capital.¹⁶ All options complied with these conditions. The most dominating view for option 1 would be from the east side of the building looking west along H Street, N.E., at an elevated pedestrian arcade. The draft EIS does not indicate that mitigation would be required. Option 2 would dominate the view west from a low-scale residential area at G and 3rd Streets, N.E., and would require mitigation. The impact of options 3 and 4 on surrounding views would be slight and would not require mitigation, according to the draft EIS.

Traffic, Transportation, and Parking

The draft EIS projected future traffic conditions to the year 2010 and analyzed how the four options and no-action scenario would affect 18 traffic intersections in the study area.

In the no-action scenario, 10 of the 18 intersections studied would reach practical capacity or failure conditions during peak morning traffic, and 7 of the 18 intersections would reach capacity or fail during peak afternoon traffic. Options 1 and 2 worsened traffic the least.

Options 1 through 4 would worsen morning traffic conditions, compared to the no-action scenario, to capacity or failure conditions at several intersections each: option 1 (two intersections), option 2 (four intersections), option 3 (two intersections), and option 4 (four intersections).

For evening traffic, options 2, 3, and 4 each would worsen traffic conditions, compared to the no-action scenario, to capacity or failure conditions at one intersection each, but not necessarily the same intersection.

¹⁶The design for Washington, D.C., including its parks and public buildings, is based on plans developed by Pierre L'Enfant in 1791 and Senator James McMillan in 1901.

For options 1 through 4, three intersections—North Capitol and K Streets; K and 1st Streets, N.E.; and Massachusetts Avenue and North Capitol Street—will require mitigation in the form of changes in traffic and parking rules or, in the worst case, the widening of streets.

Air Quality

According to the draft EIS, traffic associated with options 1 through 4 would slightly improve air quality at some intersections and slightly worsen air quality at others. However, the draft EIS forecasted carbon monoxide concentrations well below the National Ambient Air Quality Standards for each alternative.

Sound Levels

Sound levels in the area encompassing options 1 through 4 are already considered unacceptable according to Department of Housing and Urban Development noise standards. However, the draft EIS indicated that none of the four options would worsen sound levels. The highest sound levels are at H Street, N.E., by the railroad tracks. Options 1 and 2 may require interior sound mitigation due to their proximity to the railroad operation, according to the study.

Historic Resources

Options 1 through 4 have historic resources that may require special treatment during construction. Options 1 and 2 have historic and prehistoric remains buried beneath the railroad tracks that may require special placement of foundations. Option 3 has buried historic remains and potential for prehistoric remains. The warehouse on the option 4 site has been designated potentially historic. The final design would have to incorporate this building.

Costs of DOT Headquarters Alternative Site Proposals

We compared the preliminary cost proposals of the four alternative sites being considered for the DOT headquarters. Of the four alternatives, the air rights site has the highest total project cost per gross office square foot. Table IV.1 shows these costs.

Table IV.1: Costs of DOT Headquarters Alternative Site Proposals

Option	Builder	Size (In million square feet)		Total cost ^d (In millions)	Cost per office square foot
		Occupiable ^a	Office		
1. All air rights	Not yet determined	1.7	2.3	\$591 ^e	\$257
2. Air rights/ CSX land	2nd Street Limited Partnership	1.7 ^b	2.3 ^c	NA	NA
3. Union Center Plaza	Rose/ Cafritz Group	1.7 ^b	2.3 ^c	\$554 ^f	\$241 ^g
4. Woodles warehouse	JBG Companies	1.7 ^b	2.3 ^c	\$538 ^f	\$234 ^g

Legend: NA = Not available

^aDOT's total space requirement is 2.4 million OSF. For each alternative, DOT's remaining space requirement will be met by Federal Office Buildings (FOB) 10-A and 10-B.

^bDevelopers responded to an advertisement for 1.9 million OSF. DOT subsequently changed its requirements to 1.7 million OSF.

^cTo compare the total cost of the four proposals, we calculated office square feet using a ratio of .73:1 occupiable to office square foot.

^dTotal cost does not include the standard and nonstandard costs of renovating FOBs 10-A and 10-B. GSA will pay for the standard renovations. Prospectuses for these renovations have not been prepared yet. DOT will pay \$33.4 million for the nonstandard renovation costs.

^eThis is the approved prospectus amount of \$624.9 million less \$33.4 million for the nonstandard renovations of FOBs 10-A and 10-B.

^fTotal costs are calculated by multiplying office square feet by the cost per office square foot.

^gDevelopers submitted informal estimates. Costs include \$40 per gross square foot that GSA said would need to be added to bring the buildings up to GSA standard and for tenant special construction.

Source: GSA.

Building and Site Cost Comparisons of Recent Federal Building Projects in the Washington, D.C., Metropolitan Area

We compared the estimated costs of the proposed DOT building to four other recently proposed/constructed federal projects in the Washington, D.C., metropolitan area. Table V.1 shows that after adjusting estimated construction cost inflation across projects to a common year, 1993, the DOT costs are similar to the proposed Federal Bureau of Investigation (FBI) and Navy buildings and the Federal Triangle and Judiciary buildings now under construction.

Table V.1: Building and Site Cost Comparison of Recent Federal Building Projects in the Washington, D.C., Metropolitan Area

	DOT	FBI ^a	Judiciary ^b	Federal Triangle Building ^c	Navy ^d
Building cost	\$162	\$152	\$167	\$222	\$158
Site cost	\$62 ^e	\$123	\$82	\$0 ^f	\$34
Total cost	\$224	\$275	\$249	\$222	\$192

Note 1: Costs expressed in dollars per gross office square feet.

Note 2: Costs are net of certain costs and have been adjusted to a 1993 construction year for all four buildings. Therefore, these DOT unit costs cannot be compared to DOT unit costs used elsewhere in this report.

^aThe new FBI Washington Metropolitan Field Office building is proposed for the Washington, D.C., central business area.

^bThe Judiciary building, presently under construction, is located directly east of Union Station.

^cThe Federal Triangle Building is being constructed at 13th Street and Pennsylvania Avenue, N.W.

^dThe Naval Systems Commands building was proposed for Northern Virginia.

^eThe DOT site cost includes the cost of air rights and the cost of the platform necessary to construct a building over the air rights.

^fThe U.S. government owns this land. Costs for improvements to the site before construction are not shown because they are negligible.

Source: GSA.

Washington, D.C., Headquarters Locations of and Consolidation Plans for Cabinet-Level Departments

The 14 cabinet-level departmental headquarters are dispersed throughout the Washington, D.C., metropolitan area. GSA leases most of these locations. Table VI.1 shows the number of leased and owned locations occupied by the headquarters components of the 14 departments, the total square footage of leased and owned space, and the number of employees occupying leased and owned space.

Table VI.1: Office Space, Locations, and Employees of Cabinet-Level Department Headquarters in the Washington, D.C., Metropolitan Area

Department	Square footage			Number of locations ^a			Employees in locations		
	Owned	Leased	Total	Owned	Leased	Total	Owned	Leased	Total
Agriculture	1,256,258	732,992	1,989,250	4	16	20	8,559	4,846	13,405
Commerce	1,417,533	1,733,818	3,151,351	6	24	30	8,944	10,889	19,833
Defense	620,442	5,971,852	6,592,294	21	93	114	4,412	45,503	49,915
Education	482,015	78,251	560,266	3	2	5	3,006	445	3,451
Energy	1,047,578	374,653	1,422,231	3	5	8	7,128	2,066	9,194
Health and Human Services	730,595	2,180,408	2,911,003	6	39	45	4,587	14,215	18,802
Housing and Urban Development	614,305	33,160	647,465	2	3	5	3,827	91	3,918
Justice	1,642,707	2,029,565	3,672,272	6	51	57	10,728	13,358	24,086
Labor	867,525	379,320	1,246,845	2	10	12	4,774	1,943	6,717
State	979,612	802,910	1,782,522	4	22	26	7,351	5,685	13,036
Interior	530,437	1,040,467	1,570,904	4	17	21	2,782	4,995	7,777
Treasury	1,562,015	1,300,233	2,862,248	13	45	58	11,200	8,511	19,711
Transportation	457,240	1,422,968	1,880,208	2	5	7	3,549	7,774	11,323
Veterans Affairs	448,488	239,656	688,144	3	9	12	3,307	1,360	4,667
Total	12,656,750	18,320,253	30,977,003	79	341	420	84,154	121,681	205,835

Note: As of June 30, 1991. Only buildings managed by GSA are represented in the data. Although GSA controls most federal space, an example of a building not managed by GSA is the Pentagon. The Pentagon is managed by the Department of Defense. On September 2, 1992, DOT provided us with the following updated information on its office space: 11 leased locations with a total of 1,751,187 square feet and 2 government-owned locations with 559,689 square feet. We did not update the table because GSA did not provide comparable updated information for the other departments.

^aA location is a block of contiguous space occupied in a building. An agency might not occupy the entire building.

Source: GAO analysis of GSA data.

Of the 14 departmental headquarters, only four are planning to consolidate into fewer locations. The Department of Education is planning a consolidation of all headquarters employees into one building. According

**Appendix VI
Washington, D.C., Headquarters Locations
of and Consolidation Plans for Cabinet-Level
Departments**

to GSA's prospectus, DOT plans to consolidate its headquarters employees into three buildings. The departments of Justice and the Treasury plan to consolidate certain divisions. Overall, these consolidation efforts will result in an insignificant reduction in the total number of locations from a total of 420 to 384. Table VI.2 summarizes these consolidation plans.

Table VI.2: Consolidation Plans for Cabinet-Level Department Headquarters in the Washington, D.C., Metropolitan Area, as of May 4, 1992

Department	Date planned	Number of locations ^a			Employees in consolidated locations	GSA Initiated (yes/no)	
		Total current	Not to be consolidated	To be consolidated			Total after consolidation
Education	1998	5	0	5	1	4,144 ^b	No
Justice ^c	2001	57	27	30	49	18,611 ^d	No
Treasury ^e	1996	58	36	22	38	5,732 ^f	No
Transportation	1996	7 ^g	0	7	3	12,117 ^h	No
Others		293			293		
Total		420			384		

^aA location is a block of contiguous space occupied in a building. An agency might not occupy the entire building.

^bSix hundred ninety-three of the 4,144 anticipated Education Department employees to occupy consolidated space represent projected growth.

^cMission-critical Justice Department components will consolidate within the District of Columbia. Noncritical components will consolidate in Northern Virginia. Critical components include the Criminal, Civil, Tax, Civil Rights, and Anti-Trust Divisions, the U.S. Marshals Service, the Immigration and Naturalization Service, and the Drug Enforcement Administration.

^dThree thousand six hundred ninety-nine of the 18,611 anticipated Justice Department employees to occupy consolidated space represent projected growth.

^eTreasury Department consolidation efforts involve two bureaus: The Internal Revenue Service (IRS) and the Secret Service (SS). IRS will consolidate in New Carrollton, MD. IRS components to be consolidated include Information Systems Management, Information Systems Development, and Training divisions. SS will consolidate within the District of Columbia. SS components to be consolidated include top agency management, network control center, and the Intelligence, Technical Security, and Forensic Services divisions.

^fOne hundred seventy-nine of the 1,288 anticipated SS employees to occupy consolidated space represent projected growth.

^gOn September 2, 1992, DOT indicated they are currently housed in 13 locations, 11 of which are leased. We did not update the table because GSA did not provide comparable updated information for the other departments.

^hSeven hundred ninety-four of the 12,117 anticipated DOT employees to occupy consolidated space represent projected growth. DOT will consolidate within the District of Columbia.

Source: GAO analysis of GSA data.

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