

ANALYSIS OF A DECISION TO ABROGATE AN  
EXISTING LEASE ARRANGEMENT AND PURCHASE A  
POSTAL FACILITY IN BOSTON, MASSACHUSETTS  
UNITED STATES POSTAL SERVICE

B-145650 ✓  
12-29-72

RELEASED



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RESTRICTED

Report to Congressman James A. Burke, pursuant to his request.

The report presented analyses of certain data regarding the economics of a decision by the Postal Service to abrogate an existing lease arrangement and to acquire by eminent domain the South Boston Postal Annex Addition, Boston, Massachusetts. We used the present-value method to estimate costs under the leasing and purchasing alternatives.

Our review showed that the Postal Service, in accordance with its policy, did not consider real estate taxes foregone by the City of Boston as a cost of ownership when comparing the costs of leasing and purchasing the South Boston property. Therefore, purchasing appeared to be less costly and was selected. ~~Our analysis showed a purchasing advantage of about \$8.4 million if real estate taxes were not included as a cost of ownership.~~ If however, the Postal Service had included as a cost of ownership real estate taxes foregone, the comparison would have shown that leasing was less costly than purchasing. ~~Our analysis showed a leasing advantage of about \$3.6 million if such taxes were included as a cost of ownership.~~

The ~~report noted that the~~ Postal Service has recently changed its policy and now considers the effect of removing property from local tax rolls, so that its policy is consistent with that followed by other Federal agencies, as prescribed by an instruction of the Office of Management and

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Budget. We noted that the Postal Service's action was voluntary because it was explicitly exempted from this instruction.

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