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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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GENERAL GOVERNMENT
DIVISION

20 APR 1976

Mr. Alfred C. Maevis
Assistant Postmaster General
Real Estate and Buildings
U.S. Postal Service

Dear Mr. Maevis:

The General Accounting Office has completed a limited review of the Postal Service's program for identifying and leasing space excess to its operational needs. This letter appraises you of our observations on the effectiveness of the program in the Central and Western Regions.

Identifying excess space and leasing such space whenever possible are important elements of a good facility space management program. The Service has established policies and guidelines for reporting and leasing excess space and has delegated these responsibilities to the regions. The Central and Western regions, however, have not been fulfilling these responsibilities. We believe an opportunity exists to generate additional revenues by identifying excess space in Postal facilities and leasing such space to other government agencies and commercial tenants.

Postal policy for leasing excess space

The Postal Service's policy for leasing excess space in owned and leased facilities requires postmasters, sectional center managers, and district managers to report all leasable excess space to the general manager of the regional real estate division.

Excess space is first to be offered to the General Services Administration (GSA) for assignment to other Federal agencies. If GSA has no requirement for the space, regions can offer it to State, county, and municipal government agencies. If none of these require the space, a suitable tenant is to be sought in the private sector.

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Potential for revenue from leasing
additional excess space

In the Central and Western Regions there are about 1,200 facilities which have at least 10,000 square feet of space. We selected 15 facilities to visit which, because of their size, current mail volume, and projected 10-year space requirements, appeared to have excess space. Our visits confirmed that excess space existed at 13 of the 15 facilities as detailed in the table below. Seven of the 13 facilities had leasable excess space which had not been reported to the regional real estate division.

Excess Space in Facilities
Visited by GAO

	<u>Central Region</u>		<u>Western Region</u>		<u>Total</u>	
	<u>Number of facilities</u>	<u>Space (in sq. ft.)</u>	<u>Number of facilities</u>	<u>Space (in sq. ft.)</u>	<u>Number of facilities</u>	<u>Space (in sq. ft.)</u>
Total space	8	<u>258,796</u>	5	<u>180,495</u>	13	<u>439,291</u>
Space excess to Postal needs:						
Suitable for occupancy but not outleased	5	6,533	2	2,240	7	8,773
Outleased	5	7,377	1	450	6	7,827
Work area (note a)	2	20,661	4	12,500	6	33,161
Other (note b)	<u>7</u>	<u>29,306</u>	<u>2</u>	<u>3,000</u>	<u>9</u>	<u>32,306</u>
	<u>8</u>	<u>63,877</u>	<u>5</u>	<u>18,190</u>	<u>13</u>	<u>82,067</u>

a/Most of the excess work area is not leaseable because it is contiguous to occupied work area. However, some of this space could be partitioned for leasing.

b/Most of the space in the other category is basement space and is not considered leaseable. Some of the space could be leaseable after remodeling.

Of the nearly 9,000 square feet suitable for occupancy, the following observations are illustrative of the conditions noted during our visits.

At one facility, in a growing suburban area, about 2,000 square feet of space could have been leased as-is. It was modern, well lighted, and air conditioned space with separate washroom facilities.

At another facility, there was about 1,800 square feet of excess space. Although this space was air conditioned, it required painting and minor remodeling to be attractive for leasing. Two tenants were occupying similar space in the building.

Using the square foot leasing rates the Service received from July through September, 1975, we determined that the Service could receive an additional \$40,000 annually by leasing the 9,000 square feet of space.

Why excess space exists and
why it is not identified

There are a variety of reasons why excess space exists in postal facilities but the following appear to be the primary ones:

- The Service's policy of acquiring space to meet projected 10- and 20-year requirements results in obtaining more space than immediately needed.
- Mail processing concept changes, such as the Area Mail Processing Plan and the Bulk Mail System, consolidated mail processing in large mechanized facilities, and created excess space in a number of facilities.

The Service has achieved some success in leasing space to various Federal and non-Federal tenants; however, we believe that additional leasable excess space exists that has not been identified by Service officials. Although both the Central and Western Regions were receiving rental income from Federal and non-Federal tenants, neither could tell us the total amount of space leased. This was largely due to the fact that most of the space was leased prior to the creation of the Service in 1971 and little effort had been expended in this area since.

All excess space is not being identified primarily because:

--Postmasters who are supposed to identify and report excess space are not doing so. Some postmasters told us they were unaware of this requirement.

--Management--both Headquarters and Regional-- has not emphasized the importance of identifying and leasing excess space.

The Western Region attempted to gain some control over excess space in fiscal year 1975 by having each district report their vacant space. In a report to the Manager of Realty Acquisition, a regional real estate specialist stated:

"After contacting all the District Real Estate Specialists, the general reaction is the workload and priorities are such that outleasing of vacant Postal Service space has been given little or no attention. In most cases, the Real Estate Specialists have little knowledge of the location, quality, or market for the vacant space in their Districts."

The report also stated that the vacancy reports lacked accuracy because several districts cited many instances of vacant space which had not been reported by postmasters. The accuracy of the measurement of the space reported was also questioned.

The Service has developed an automatic data processing system known as the Facility Visibility System (FVS) to provide information on facilities. At the present time, however, no specific programs have been developed to provide information on excess space and the information that is in the system is generally discredited by Service officials as being inaccurate and unreliable.

Given its poor financial condition, the Service should pursue every opportunity for reducing costs and increasing revenues. Acquiring facilities to meet long-range needs, changing mail processing concepts, and reduced mail volume all contribute to excess space in postal facilities. Our review of facility space and mail volume data indicated that excess space may exist in more facilities than the 15 we visited. We believe an opportunity exists for the Service to generate additional revenues by leasing such space.

We recommend that the Assistant Postmaster General,
Real Estate and Buildings,

- re-emphasize to regional, district, and local managers, the importance of identifying and leasing excess space;
- require regions to analyze current and projected mail volume data and available space in postal facilities to identify those that potentially have excess space; and
- require regions to follow up with district and local facility managers to establish whether facilities identified as potentially having excess space do, in fact, have excess space and that adequate steps are being taken to lease such space.

We would appreciate being advised of any actions taken in these areas. We would also like to express our appreciation for the cooperation given us by Service officials during our review.

Sincerely yours,


John Landicho
Associate Director