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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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JANUARY 25, 1979

The Honorable Jennings Randolph
Chairman, Committee on Environment
and Public Works
United States Senate
The Honorable Harold T. Johnson
Chairman, Committee on Public
Works and Transportation
House of Representatives

[REVIEW of]



Dear Mr. Chairmen:

The General Accounting Office (GAO) is evaluating the General Services Administration's (GSA's) activities to implement the Public Buildings Cooperative Use Act of 1976 (40 U.S.C. 601a). The review concerns itself with all aspects of the act, including (1) GSA's methods for identifying and calculating costs of acquiring and renovating train stations and other historical buildings, (2) the feasibility of leasing space for commercial activities in Federal buildings, and (3) the appropriateness of using historic buildings for Federal office space.

AND ITS
IMPLEMENTATION

Although our work under this assignment is still in its preliminary stages, we have identified two aspects of GSA's activities that we believe should be given early consideration by your Committees.

Section 102 (a) of the act provides that the Administrator of GSA, in acquiring space necessary for the accommodation of Federal agencies, shall.

***acquire and utilize space in suitable buildings of historic, architectural, or cultural significance, unless use of such space would not prove feasible and prudent compared with available alternatives."

Our work to date indicates that GSA, in acquiring such buildings, especially old train stations, may not be giving adequate consideration to the need for the space.

Further, in our opinion, the prospectuses being used by GSA to obtain congressional approval for these projects

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misrepresent the situation by presenting acquisition of the train stations as the most advantageous alternative (compared to new construction and leasing) for acquiring additional office space. In the absence of a desire to acquire and renovate the train stations, it is highly unlikely that GSA would ever attempt to seek congressional approval to acquire office space by the other alternatives cited in the prospectuses.

Before discussing GSA's actions with respect to train stations, we would like to make it clear that GAO is not opposed to the Federal Government trying to preserve our architectural heritage through the acquisition and renovation of significant historical structures. However, we believe that if the Public Buildings Cooperative Use Act is to serve as the vehicle for this effort, then GSA should have to adequately demonstrate the need for the space.

If, however, the Congress intends that the preservation of these structures should take precedence over the need for additional space, then the intent of the law should be redefined to allow GSA to acquire such buildings irrespective of a demonstrable need for the space. In addition, GSA should modify its prospectus procedure for these types of structures to enable the appropriate Committees to base their decisions solely on the merits of the historic structures GSA seeks to preserve.

NEED FOR SPACE

The Public Buildings Cooperative Use Act directs the Administrator of General Services to consider historically, architecturally, or culturally significant buildings as the primary alternative for meeting the space needs of the Government. GSA appears to be operating on the assumption that the acquisition of historical structures takes precedence over the need for additional federally owned space in the areas where the structures are located.

In a November 30, 1977, memorandum, the Commissioner of GSA's Public Buildings Service, noting that the Building Service's progress in acquiring and using space in such buildings had been minimal, informed the Building Service's Regional Commissioners of the establishment of "an aggressive program to significantly improve that record."

In describing the plan, the Commissioners' memo stated that:

"The underlying premise of the entire plan is that when a building on, or eligible for, the National Register of Historic Places is available for lease or purchase, PBS [Public Buildings Service] will develop a plan to acquire space in that building. In essence then, the identification of the need will in most cases follow the identification of the building."

The major effort under the new aggressive program is the acquisition and renovation of train stations. At present, GSA's plans provide for the acquisition and renovation of at least five historical train stations located in Nashville, Tenn.; Kansas City, Mo.; Montgomery, Ala.; Macon, Ga.; and Minneapolis-St. Paul, Minn. However, as of January 1, 1979, only one prospectus--renovation of Union Station in Nashville--had been submitted to the Congress.

The prospectus for the Union Station project was approved by the appropriate House and Senate Committees on May 15, 1978, and June 22, 1978, respectively. The prospectus claims that renovation of the station is the most advantageous alternative (compared to leasing or new construction) for acquiring additional Federal office space in Nashville. However, the available information clearly demonstrates that the impetus for GSA's efforts stemmed from its desire to acquire Union Station, rather than the need for additional space.

In July 1977, GSA's Central Office concluded that Federal agencies were adequately housed in Nashville and there was no need for additional space or replacement space. Pursuant to an August 1977 directive from GSA's Central Office, a Federal Space Situation Study was done by the GSA regional office, Region 4, responsible for Nashville. The report concluded that there was no need for additional space and recommended that GSA wait 5 years and then restudy the space situation in Nashville. Also, Region 4 officials stated that at the time of the decision to acquire Union Station, none of the Federal agencies in Nashville had requested additional space or new locations.

Several other factors supported Region 4's recommendation. About 80 percent of the Federal space in Nashville was Government-owned, compared to a national average of about 50 percent, and a 35 percent average for all of Region 4. With respect to Federal employees in Nashville, about 85 percent were housed in Government-owned space,

compared to 48 percent nationally and 33 percent for Region 4.

In Nashville, there are already three federally owned buildings, plus the U.S. Post Office, all of which are located in the area of Union Station. These three buildings provide about 400,000 square feet of general purpose office space, compared to the approximate 28,000 square feet of Federal office space that will be provided by Union Station. The newest of these three buildings, having 203,800 square feet of occupiable office space, was completed in 1975.

In May 1977, GSA transferred to the city of Nashville the old Federal Office Building located near Union Station. This building, which was declared excess by GSA in September 1974, is being renovated by the city and is also on the National Register of Historic Places. An April 1975 GSA study concluded that renovation of this building would provide about 74,000 square feet of occupiable Federal office space at a cost of about \$5.3 million (compared to about 28,000 square feet of occupiable Federal office space at a cost of about \$7.15 million in Union Station). The explanation GSA officials gave us for excessing and transferring the old Federal Office Building and acquiring Union Station was that Nashville was willing to take the old Federal Office Building, but nobody would save Union Station.

We are currently reviewing, in detail, GSA's activities concerning the Nashville Union Station project, including (1) the economic viability of the project, (2) the historical considerations involved, (3) the reliability of the information (prospectus) provided the Congress, and (4) whether all the pertinent issues surrounding the project have been brought to the Congress' attention. We anticipate preparing a separate report on our findings concerning this project.

PROSPECTUSES

In obtaining congressional approval for the Nashville train station, GSA provided the appropriate Committees with a standard prospectus comparing the renovation of Union Station to the alternatives of new construction and leasing. We believe that this type of prospectus format is inappropriate if GSA is going to emphasize the acquisition of historical structures over the need for space for projects under the Public Buildings Cooperative Use Act.

With respect to Union Station, GSA asked the Committees to approve the project based on the assumptions that (1) there was a need for additional Government-owned space in Nashville and (2) compared to new construction or leasing, acquisition and renovation of the train station was the most attractive alternative. However, as discussed previously, we found that:

--GSA's Central Office and Region 4 found no need for additional space in Nashville.

--The percentage of Federal employees in Nashville housed in federally owned space far exceeded both the Region 4 and national GSA averages.

--GSA had completed construction of a 203,800 square foot office building in 1975.

--In May 1977, GSA transferred to the city of Nashville an historical Federal Office Building having about three times as much occupiable office space as Union Station.

Accordingly, we feel that in the absence of a desire to acquire and renovate Union Station, GSA would not have sought congressional approval to newly construct or lease a facility that would provide only about 28,000 square feet of occupiable office space in Nashville. It is only because of Union Station that GSA decided to increase the amount of federally owned space in Nashville.

Further, we believe that even where there is a demonstrable need for the space, use of the standard prospectus format for historical structures may not be appropriate. Because of the uniqueness of many of these structures, comparing them to the alternatives of new construction and leasing does not appear to be realistic.

For example, GSA is currently developing a prospectus for acquiring and renovating a train station in Kansas City, Missouri. The project involves the renovation of about 288,000 square feet of space, of which only 88,000 square feet will be used for Federal office space. The remaining 200,000 will be given by GSA to the city for use as a museum. Although we have not yet evaluated the need for the 88,000 square feet of office space, we do not believe, as the prospectus shows, that GSA, in the absence

of acquiring the train station, would seek congressional approval to build or lease a 288,000 square foot building, and then give 200,000 square feet of the space to a city.

It appears to us that the uniqueness of Public Buildings Cooperative Use Act projects raises the question as to whether such projects should be approved or disapproved based solely on their individual merits. With this in mind, perhaps the prospectuses sent to the Congress for these projects should only address the costs and benefits of the projects, not their relative merits compared to alternatives that never would have been considered by themselves.

AGENCY COMMENTS

By letter dated January 9, 1979, (see enclosure) the Administrator of General Services commented on a draft of this report. The Administrator did not dispute or contest any of our findings or conclusions relating to GSA's emphasis on acquiring historic structures as opposed to considering the need for space as the act intends. Rather, the Administrator acknowledged that factors other than the need for space governed GSA's actions in acquiring Union Station in Nashville.

The Administrator also agreed that (1) comparing the renovation of historic structures to the alternatives of new construction and leasing may not be realistic and (2) perhaps the prospectuses being sent to the Congress for these types of projects should only address the costs and benefits of the historic projects.

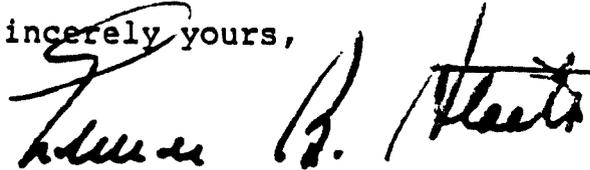
RECOMMENDATION TO THE CONGRESS

We recommend that the Congress clarify its intent regarding the use of the Public Buildings Cooperative Use Act of 1976 to acquire and renovate historical structures. If the act is to serve as a vehicle for this effort, GSA should be required to adequately demonstrate its need for the space. If, however, the Congress intends that historic structures should be preserved even though there is not a pressing need for additional Federal space in certain locations, we recommend that the intent of the law be redefined to allow GSA to acquire such space without having to demonstrate need.

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Copies of the report are being sent to the Administrator of General Services; the Director, Office of Management and Budget; and other interested parties.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas B. Heath". The signature is written in a cursive style with a large initial "T" and a prominent "H".

Comptroller General
of the United States

Enclosure

ENCLOSURE I

ENCLOSURE I

UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION
WASHINGTON DC 20405



11 JAN 1979

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, DC 20548

Dear Mr. Staats:

Thank you for the opportunity to review and comment on your draft letter report to the Congress entitled "Letter Report on GSA's Efforts at Adaptive Use of Historic Buildings," which was transmitted to the General Services Administration (GSA) by Mr. R. W. Gutmann's letter dated December 21, 1978.

We are in basic agreement with the findings of the draft letter report with respect that the prospectus procedure should be modified to use a different type of analysis when we are acquiring and renovating significant historic structures. Accordingly, we would welcome the opportunity to meet with your representatives to obtain your agency's views on the most appropriate method of analysis for the acquisition and renovation of such significant historic properties. Our comments on these recommendations are contained in the attached fact sheet under the heading, "GSA Actions."

The portion of the draft letter report stating that we may not be giving adequate consideration to the need for space in acquiring buildings of historic, architectural, or cultural significance, especially old train stations, should be revised in order to clarify the factors that led to the decision to acquire the Union Station in Nashville, Tennessee. This portion of the draft report is discussed in the attached fact sheet under the heading, "General Comments."

If you should have any questions concerning our comments on the draft letter report, please do not hesitate to contact us.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. A. Adams".

Enclosure

GSA FACT SHEET
Public Buildings Service
January 3, 1979

GSA Comments on GAO's Draft Letter Report
Entitled "Letter Report on GSA's Efforts
at Adaptive Use of Historic Buildings"

GAO Findings

"The General Accounting Office (GAO) is evaluating the General Services Administration's (GSA) activities to implement the Public Buildings Cooperative Use Act of 1976 (40 U.S.C. 601a). Although our work under this assignment is still in its preliminary stages, we have identified two aspects of GSA's activities that we believe should be given early consideration by your Committee:

--Our work to date indicates that GSA, in acquiring such buildings, especially old train stations, may not be giving adequate consideration to the need for the space.

--The prospectuses being used by GSA to obtain Congressional approval for these projects misrepresent the situation by putting the acquisition of train stations in the framework of the most advantageous alternative to acquire additional office space. In the absence of GSA's desire to acquire and renovate the train stations, it is highly unlikely that GSA would ever attempt to seek Congressional approval for the other alternatives cited in the prospectuses."

GSA Actions

GSA recognizes that prospectuses used to obtain Congressional approval for the acquisition and renovation of buildings of historic, architectural, or cultural significance, especially old train stations, may require an analysis different from that set forth by OMB Circular A-104 due to the unique purpose of acquiring and renovating these types of properties. Thus, comparing their acquisition and renovation to the alternatives of new construction and leasing may not be realistic. Perhaps, bearing this in mind, the prospectuses being sent to Congress for these types of projects should only address the costs and benefits of the projects, not their relative merits compared to alternatives that never would realistically be considered, in and of themselves. We would like to meet with representatives of GAO to discuss their views on the most appropriate method of analysis for the acquisition and renovation of such significant structures.

General Comments

We recommend that the findings of the draft letter report under the general heading, Need for Space, be revised in order to clarify the factors that led to the decision to acquire the Union Station in Nashville, Tennessee.

We believe that the following information should be included in the findings: Subsequent to the receipt of the recommendations in the Federal space situation study, it was determined that the Union Station, which is adjacent to the existing Federal complex, could be used for the consolidation of activities of Federal agencies over and above that provided by the Federal Office Building constructed in 1974 and occupied in 1975. The impact of such a course of action would: (1) create an expanded Federal enclave which would consolidate space and contribute to the more efficient delivery of Government services; (2) complement and supplement the revitalization and stabilization of the Nashville Central Business District (CBD), with resulting socioeconomic benefits pursuant to the President's Urban Policy; and (3) implement the Public Buildings Cooperative Use Act of 1976. In addition, GSA recognized that there was widespread civic interest in the Government's participation in the preservation of this historic Nashville landmark in time for that city's celebration of its bicentennial in 1980. We felt these overriding reasons were sufficient justification for the acquisition and rehabilitation of the Union Station. We are committed to this project and should we fail to proceed in a timely fashion the Federal Government will have lost the opportunity to assist in the preservation of a National landmark which might otherwise have to be destroyed.

It should also be noted that GSA's final decision in December 1975 to declare excess to the needs of the Public Buildings Service the old Federal Office Building located near the Union Station was made independently and about 20 months prior to Region's 4 initial studies regarding the possible acquisition of Union Station. The building was transferred to the Nashville-Davidson County Government on April 6, 1977, about six months before Region 4 began its investigation of Union Station.