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REPORT BY THE

Comptroller General

OF THE UNITED STATES

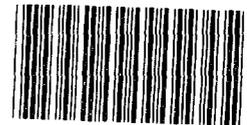
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GSA's Space Management Proposals For The National Capital Region And For The Nation's Cities

In implementing the President's national urban policy, the General Services Administration *AGC00017*

- follows a policy of relocating Federal activities to cities' central business areas, regardless of whether the cities have been identified as distressed, and
- competes with private industry to acquire expensive and scarce space in central city areas.

General Services also has two counterproductive policies affecting the Washington, D.C., area. One encourages decentralization from Washington, while the other encourages relocating Federal activities from suburban areas to downtown business areas.



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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-95136

Senator Charles McC. Mathias, Jr.
United States Senate

Dear Senator Mathias:

This report is in response to your October 23, 1978, letter which requested us to review a General Services Administration policy proposal to reduce Federal office space in the Washington, D.C., metropolitan area by 10 percent and to develop a long-range plan to implement the policy.

While inquiring into the space reduction proposal, we became aware that the proposal is one element of a space management matrix which affects, or is affected by, implementation of the President's national urban policy announced in March 1978.

To understand where the 10-percent proposal fits into the overall concept of space management relative to the national urban policy, we also obtained information on efforts to (1) decentralize agency activities now in the National Capital Region and (2) relocate Federal activities to central business areas of the Nation's distressed cities. We identified two issues which we believe will be of particular interest to you.

The first issue is the direction of General Services' implementation of the President's national urban policy. General Services has a nationwide policy of relocating Federal facilities to the central business areas of cities, regardless of whether the cities have been identified as distressed. General Services is also competing with private industry to acquire expensive and scarce space in the central city areas. Therefore, General Services may not be effectively carrying out the national urban policy principle of stretching available Federal resources by making the problems of people and places in the greatest need its first priority. It seems reasonable to expect that greater progress could be made in achieving the goals of the national urban policy if General Services' implementation was targeted to the distressed cities.

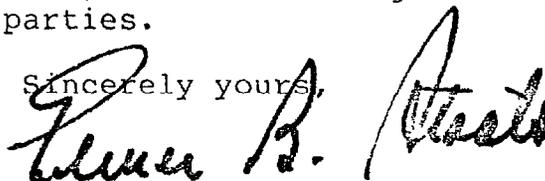
The second issue is the applicability of two General Services policies which could be counterproductive to Washington, D.C. One policy, which is promulgated by Office of Management and Budget Circular A-60, encourages decentralization from Washington. The other policy, which is promulgated by Executive Order 12072 "Federal Space Management," encourages relocating Federal activities from suburban areas into downtown business areas. Both policies are part of the recently proposed General Services amendments to space management regulations published in the Federal Register on March 29, 1979.

The three appendixes detailing the results of our survey are designed to help you understand where the proposed 10-percent space reduction fits into the larger picture and to highlight the two issues we believe you would be interested in.

We have briefed your staff on specific questions raised in your letter. However, it is important to note that the agencies rejected General Services' proposal to reduce Federal office space in the Washington area by 10 percent, and General Services did not issue the proposal as an official policy. The policy proposal did result in General Services formulating a 5-year housing plan for Federal agencies in Washington, D.C.

Officials of agencies involved in our report testified before the Subcommittee on Governmental Efficiency and the District of Columbia, Senate Committee on Governmental Affairs, on May 15 and 16, 1979. Their testimony was directed at the issues discussed in our report, which was provided to them by your office. For this reason, we did not obtain additional comments from the agencies. Also, in accordance with instructions from your office we are sending copies of this report to the Administrator of General Services; the Secretaries of the Departments of Housing and Urban Development, Energy, and Defense; the Director, Office of Management and Budget; and other interested parties.

Sincerely yours,



Comptroller General
of the United States

CHRONOLOGY OF KEY EVENTS

<u>DATE</u>	
July 9, 1962	Executive Order 11035--Management of Federal office space and decentralization from in and near the District of Columbia.
July 18, 1963	Bureau of the Budget (now the Office of Management and Budget (OMB)) Circular A-60--Criteria for decentralizing Federal activities from the National Capital Region and defining the area of the National Capital Region.
Sept. 24, 1963	Department of Defense (DOD) No. 5305.2--Decentralization of DOD activities from the National Capital Region.
Feb. 27, 1970	Executive Order 11512--Federal space management and decentralization policy for the National Capital Region.
June 29, 1976	U.S. Conference of Mayors--President Carter promised a comprehensive national urban policy.
Mar. 21, 1977	President Carter created the Urban and Regional Policy Group (URPG) to draft a national urban policy.
Oct. 27, 1977	The Administrator of General Services (GSA) met Assistant Secretaries (Management) of the major agencies to discuss the proposed National Capital Region space management policy.
Nov. 15, 1977	URPG produced a draft report entitled "Cities and People in Distress."
Nov. 28, 1977	GSA's region 3 administrator requested written comments on the proposed National Capital Region space policy from 50 agencies.
Dec. 19, 1977	The Secretary of Defense's plan to reduce DOD's presence in the National Capital Region by 2 million square feet by September 1982.

<u>DATE</u>	
Mar. 15, 1978	The Secretary of Housing and Urban Development (HUD) presented URPG's national urban policy draft to the President.
Mar. 27, 1978	The President announced his national urban policy.
Apr. 7, 1978	The Administrator of General Services distributed the President's national urban policy to regional administrators.
Apr. 25, 1978	GSA policy memorandum implemented the President's national urban policy.
June 14, 1978	The Administrator of General Services' letter to agency heads on the long-range space management plan for the National Capital Region.
June 30, 1978	GSA requested information from 45 agencies to develop a 5-year space management plan for the National Capital Region.
Aug. 16, 1978	Executive Order 12072--Federal space management and relocation of Federal activities to central business areas.
Aug. 16, 1978	OMB Circular A-116--"Preparation of Urban and Community Impact Analyses."
Aug. 18, 1978	GSA required regional plans to relocate Federal activities into central business areas.
Sept. 5, 1978	GSA memorandum on Executive Order 12072--Socioeconomic considerations in locating Federal activities to central business areas.
Oct. 13, 1978	Civil Service Reform Act of 1978 required OMB study of decentralization of Federal functions from the National Capital Region to the Congress by October 1979.

DATE

- Feb. 23, 1979 OMB memorandum to executive agencies on decentralization study work plan.
- Mar. 9, 1979 White House memorandum--Required executive agencies to cooperate with GSA which has primary responsibility for Executive Order 12072.
- Mar. 19, 1979 GSA Federal Property Management Regulations amended to give GSA final decision authority in space assignment disputes with agencies.
- Mar. 29, 1979 Federal Register--Proposed amendments to the GSA Public Buildings Service Federal Space Management Regulations, including decentralization from the National Capital Region.

PROPOSED REDUCTION OF FEDERAL OFFICESPACE IN THE NATIONAL CAPITAL REGIONAND OTHER PLANS TO DECENTRALIZEGOVERNMENT ACTIVITIESFEDERAL REGULATIONS ON DECENTRALIZATION

The requirement that Federal agencies decentralize from the National Capital Region has been a part of the Federal Property Management Regulations since 1962 when Executive Order 11035 was signed. The most recent affirmation of the policy was in the proposed amendments to the GSA Public Buildings Service Federal Space Management Regulations. The amendments were published in the Federal Register on March 29, 1979, to implement Executive Order 12072. Federal Space Regulations subpart 101-17.1 "Assignment of Space" (b)(4) states that in making requests for space, Federal agencies shall:

"* * * review continuously their needs for space in and near the District of Columbia, taking into account the feasibility of decentralizing services of activities which can be accomplished elsewhere in the Nation without excessive costs or significant loss of efficiency."

The wording of the subpart (b)(4) is identical to section 3(d) of Executive Order 11035 of July 9, 1962, which was the basis for the Bureau of the Budget (now the Office of Management and Budget (OMB)) Circular A-60 of July 18, 1963, on "criteria for decentralizing Federal activities from the National Capital Region."

According to OMB Circular A-60, the National Capital Region includes:

"* * * the District of Columbia, Montgomery and Prince Georges counties in Maryland, and Arlington, Fairfax, Loudoun and Prince Williams counties in Virginia; the cities of Alexandria and Falls Church in Virginia; and all cities now or hereafter existing in Maryland or Virginia within the geographic area bounded by the outer boundaries of the combined area of the aforesaid counties."

Executive Order 11035 was superseded by Executive Order 11512 of February 27, 1970, "Planning, Acquisition, and Management of Federal Space." It contained the identical

wording on decentralization which was previously a part of Executive Order 11035.

Executive Order 11512 was superseded by Executive Order 12072 of August 16, 1978, "Federal Space Management." This order, however, does not contain the decentralization requirement of the previous Executive orders. In May 1979 an OMB official informed us that including the usual decentralization clause in the March 29, 1979, GSA amendment to space management regulations was consistent with OMB Circular A-60, which is still effective.

GSA POLICY PROPOSAL FOR ACQUIRING OFFICE
SPACE IN THE NATIONAL CAPITAL REGION

On October 27, 1977, the Administrator of General Services met with the Assistant Secretaries (Management) of the major agencies to discuss a proposed policy governing the acquisition of space in the National Capital Region. On November 28, 1977, GSA's region 3 administrator sent copies of the policy proposal to top officials of 50 Federal agencies and requested a written response. The policy proposed that:

- Agencies, in concert with GSA, would develop a 5-year housing plan.
- Office space would be immediately reduced by at least 10 percent. The 10-percent saving was to be used to satisfy GSA's outstanding space requests.
- Any request for space in excess of the 10-percent recaptured space should be reviewed for the following:
 1. Is it essential that the function for which the space has been requested remain in the National Capital Region or could it be located elsewhere?
 2. Is the additional space for authorized personnel?
- Any recaptured space not needed by the agency would be returned to GSA for reassignment.

The Administrator's 10-percent space reduction proposal of October and November 1977 was almost totally rejected by the National Capital Region executive agencies. Of 33 replies received, only one agency had favorably viewed the

proposal to reduce space occupancy by 10 percent. Otherwise, most agencies favored the proposal for a long-range space occupancy plan.

GSA's 5-year plan for the National Capital Region

On June 14, 1978, the Administrator of General Services sent a letter to the executive agencies in which he expressed his deep concern with the extremely limited availability of office space to house Federal Government activities in the Washington, D.C., metropolitan area. The Administrator had sought and received advice concerning (1) a 10-percent reduction in space, (2) the relocation of major components of new or existing agencies to other metropolitan areas, and (3) the development of a long-range plan for housing essential elements of the executive branch in this area. He also noted that nearly all responses received favored development of a long-range plan as soon as possible. He was confident that the plan could serve as an instrument in the orderly realignment and reorganization of the executive branch and could meet the administration's commitment to a sound and effective urban policy; thus maximizing the positive impact on Washington, D.C., and other cities. The region 3 administrator was directed to develop a long-range plan for housing executive branch agencies in the Washington, D.C., metropolitan area which GSA construes as being the National Capital Region.

GSA officials informed us that the intent of the June 14, 1978, letter was to announce GSA's implementation of the development of a long-range plan under the direction of the region 3 administrator.

On June 30, 1978, the region 3 administrator requested 45 agencies to provide information for the development of a 5-year plan for housing major executive branch agencies in the Washington, D.C., metropolitan area. Information was required for each component of the agency as of December 31, 1977. Information requested included the location, number of personnel, occupied square feet, personnel projected to the end of each fiscal year for the period 1978 through 1987, existing distribution of personnel by grade, and a description of special space requirements. Also, each major component was to be identified by the agency as requiring location in the downtown Washington area, requiring location in the National Capital Region outside the downtown area, or as being susceptible to relocation outside the National Capital Region.

Agencies were also asked to express views on their present housing arrangements, where they wished to locate certain of their activities, which programs (existing or planned) could be relocated to other urban areas, and what the impact would be if the program elements were not located closely or in the same area. The regional administrators believed that by working together, they could develop viable solutions and alternatives for housing executive branch agencies consistent with the President's national urban policy and reorganization objectives.

Information in response to the GSA June 30, 1978, request had not been developed into a long-range plan by GSA by December 1978. At that time about one-half of the 45 agencies had responded. Most responding agencies wanted additional space or had not identified components which could be relocated from the National Capital Region. No agency had volunteered to turn back space to GSA as excess to its needs. Several agencies suggested consolidating scattered operations within the National Capital Region. In April 1979 we were told that the relocation information being gathered was not to be part of GSA's response to the OMB study of decentralization of Federal Government functions announced on February 23, 1979. We were also informed that the Washington Building Owners and Managers Association survey recently showed a commercial building vacancy rate of about 0.5 percent in the Washington, D.C., central business area and a 1-percent vacancy rate in the National Capital Region.

DECENTRALIZATION OF DOD ACTIVITIES FROM THE NATIONAL CAPITAL REGION

In September 1963 DOD issued a directive (No. 5305.2) entitled "Decentralization of Department of Defense Activities from the National Capital Region." The directive was still effective as of May 9, 1979. The purpose of the directive was to implement criteria contained in OMB Circular A-60 of July 1963. The directive applied to all DOD activities except military units located in the National Capital Region.

DOD reported that Federal military employment totals in the National Capital Region decreased from 82,721 in 1970 to 54,064 in 1977. Within the District of Columbia, totals decreased from 21,664 in 1970 to 16,735 in 1977.

Since at least 1975, both the Senate and House Committees on Appropriations have urged DOD to relocate from Washington, D.C., to underutilized military installations in other areas of the country. The Senate Committee established the following relocation criteria which DOD must meet in reaching a decision to relocate from Washington:

- Functions are not essential to the Washington area.
- Efficiency of operation will not be significantly affected.
- Relocation is cost effective.

These are also part of the criteria of OMB Circular A-60.

In an October 5, 1977, letter the Chairman of the House Appropriations Subcommittee on Military Construction requested the Secretary of Defense's views on the possibility of transferring certain DOD functions occupying the Forrestal Building out of the Washington area to other parts of the Nation.

On November 30, 1977, the Chairman informed the Secretary of his dissatisfaction with the DOD response and said he would continue to hold in abeyance any consideration of military construction proposals for the National Capital Region until satisfactory progress was made to relocate a significant portion of the Forrestal Building personnel outside the Washington, D.C., area.

On December 19, 1977, the Secretary of Defense announced an overall goal of reducing DOD's presence in the National Capital Region by 2 million square feet, phased over a 5-year period. The objectives of the plan were to (1) decentralize DOD activities from the National Capital Region, (2) reduce payments for non-DOD controlled administrative space in the National Capital Region, and (3) increase use of existing installations outside the National Capital Region. Economic criteria was not to be the sole determinant in the decision to relocate activities.

On February 16, 1978, the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) informed the Chairman that he shared the Chairman's desire to reduce the DOD presence in the National Capital Region by relocating to sites outside the region. To this end the Secretary of Defense had directed the military departments and DOD agencies to plan on relocating 10 percent of their space

and personnel from the region. This would amount to a total of approximately 2 million square feet of space and 13,000 personnel. It was pointed out that proposed Forrestal Building actions were consistent with the plan's goals because more than 18 percent of space and personnel in the building would be relocated outside the National Capital Region.

On April 12, 1978, DOD announced an Air Force decision to realine departmental headquarters and to reduce staff in the National Capital Region by relocating Air Force activities from the Forrestal Building. The overall objective was to increase management cohesiveness and effectiveness by consolidating, eliminating, or transferring various departmental functional activities. Some functions were to be transferred outside the Washington, D.C., area. The Air Force estimated a reduction of 1,500 manpower authorizations in the National Capital Region.

In January 1979 the Air Force said that because of changes which may result from an ongoing reevaluation of its April 12, 1978, decision, its estimate to reduce the Air Force presence in the Washington area was no longer applicable.

In February 1979 the Air Force reported that 435 authorized positions had been relocated to subordinate units outside the National Capital Region in fiscal year 1978 and 167 authorizations had been relocated to date in fiscal year 1979.

In our ongoing review of this Air Force action, we have recently been reminded by Air Force officials that cost effectiveness was never cited as an objective of relocating departmental activities from the Forrestal Building to locations outside the National Capital Region.

The DOD plan to relocate 2 million square feet of administrative space out of the National Capital Region was to have been released by DOD in the early spring of 1979. The release of the plan has been deferred until it has been coordinated with the OMB study of decentralization from the National Capital Region.

OMB STUDY OF DECENTRALIZATION OF
FEDERAL GOVERNMENT FUNCTIONS

The Civil Service Reform Act of 1978 (Public Law 95-454) requires the Director, OMB, to conduct a detailed study of decentralization of Federal Government functions. Section 901 of the act requires

- a review of the existing geographic distribution of Federal functions throughout the Nation, including the extent to which such functions are concentrated in the District of Columbia;
- a review of the possibilities of distributing some of the functions of the various agencies currently concentrated in the District of Columbia to field offices located throughout the Nation; and
- a report and recommendations to the Congress.

On February 23, 1979, OMB issued a memorandum to the heads of executive departments and agencies which laid out the work plan for the study.

The major part of the work plan required examining the possibilities for decentralizing functions or activities in terms of the specific criteria in OMB Circular A-60, dated July 18, 1963, as well as other criteria considered relevant. The analysis of agency proposals will consider A-60 criteria, associated costs and benefits, and urban and community impacts as requested by OMB Circular A-116 which was issued on August 16, 1978 (the same day Executive Order 12072 was issued which directed the movement of Federal agencies into central business areas).

As central staff agencies, the Office of Personnel Management and the GSA Public Buildings Service play key roles in dealing with decentralization issues. Accordingly, a steering group composed of senior officials from the Office of Personnel Management, Public Buildings Service, and OMB will provide guidance in the conduct of the study.

As of April 30, 1979, the revised major milestones for completing the study were:

- Announce the study to agencies and public interest groups and request initial assistance (Feb. 23, 1979).

- Announce the study in the Federal Register (Mar. 14, 1979).
- Complete preliminary identification of functions to be considered for decentralization (Apr. 30, 1979).
- Complete review of Federal functions in the Washington, D.C., area and of all functions distributed nationally by organization (May 15, 1979).
- Complete analysis and assessment of functions for decentralization (June 15, 1979).
- Complete draft report (July 27, 1979).
- Submit report to the Director, OMB (Sept. 28, 1979).
- Submit report to the President for transmittal to the Congress (Oct. 12, 1979).

PROPOSED REALINEMENT OF EXECUTIVEAGENCIES IN SUPPORT OF THEPRESIDENT'S NATIONAL URBAN POLICYTHE PRESIDENT'S NATIONAL URBAN POLICY

On June 29, 1976, at the U.S. Conference of Mayors, President Carter pledged that the cities of our country "would have a friend, an ally, and a partner in the White House." He promised more than a series of new policy initiatives; he promised a comprehensive national urban policy.

On March 21, 1977, the President created the Urban and Regional Policy Group (URPG) and charged it with the responsibility for drawing up a national urban policy. URPG membership consisted of the Secretaries of the Departments of Commerce; Health, Education, and Welfare; HUD; Labor; Transportation; and the Treasury. The Secretary of HUD was chosen to lead URPG. Several task forces were named to develop policy in various functional areas: economic development, transportation, neighborhoods, public finance, redlining, employment, States, and regions. Frequent meetings were held with top administration officials and numerous experts were consulted. Also, various forums were held in each region of the country and an estimate of over 10,000 citizens were involved in the consultation process.

URPG issued a draft policy document on November 15, 1977, entitled "Cities and People in Distress," which was widely circulated to Federal and local agencies for comments.

One of the themes that emerged from the dialogue with citizens was a strong belief that the declining central cities must be revitalized. A key point made by corporate participants was the need to strengthen incentives (employment, housing, etc.) for urban economic recovery. At a White House conference of over 500 representatives from all sectors of American society, one of the dominant themes expressed was the need to target Federal funds and efforts to distressed areas. In particular, there was support for targeting to inner sections of cities, older towns, distressed rural areas, and areas affected by rapid growth.

On March 15, 1978, the Secretary of HUD presented URPG's work to the President. URPG listed 10 principles which it believed were needed for balance among the national urban policy objectives. One of these was that national urban policy must present priorities. One priority item was to devote resources to the areas of greatest need and to give priority to those expenditures that would maximize leverage from other public and private sector resources. The strategies for implementing the urban policy objectives consistently cited the priority need of the economically distressed cities and their low income and minority groups. The President announced his national urban policy on March 27, 1978.

GSA CENTRAL BUSINESS DISTRICT
RELOCATION POLICY

On April 7, 1978, the Administrator of General Services sent copies of the President's urban policy announcement to regional administrators and heads of services, pointing out that:

- The major thrust of the urban policy was to reorient resources in order to make Federal actions more supportive of distressed areas.
- A renewed and more vigorous effort would be required on the part of GSA.
- GSA should give first priority to locating Federal facilities and agencies in downtown/center city areas. Exception to this policy required review by the Commissioner of Public Buildings Service and the Administrator's specific approval.
- The President had ordered the creation of a coordinating council to implement the new urban policies and a GSA official had been named to the council.

On April 25, 1978, GSA's Commissioner of Public Buildings Service issued an order to all regional commissioners implementing the policy established by the Administrator in response to the President's March 27, 1978, message on urban policy. GSA's policy was stated as follows:

"In the selection of sites for the location of Federal facilities and activities, it is the

policy of the Federal Government to give material consideration to the need for development and redevelopment of cities, where such action is consistent with the efficient performance of the missions and programs of the executive agencies and the nature of the facilities involved. Therefore, whenever possible, the acquisition, assignment, and reassignment of space shall be directed to the area in the community recognized as the central business area and adjacent areas of similar character."

Activities would be allowed to remain outside the central business area under two circumstances:

- "1. Activities whose service area is a clearly defined sector of a city or a suburban or rural community, such as the SSA [Social Security Administration] Branch and District Offices, IRS [Internal Revenue Service] Field Offices, Forest Service Offices, Recruiting Stations, certain Department of Agriculture and Department of the Interior activities, etc.
2. Cases where immediate compliance is not possible due to existing leasing commitments in areas outside the CBD [central business district]. In these situations, plans must be made for future compliance (i.e., the agency will be relocated to the central business area upon expiration of the lease)."

The order pointed out that undoubtedly there will be instances where agencies will argue in favor of locations outside central business areas. In such cases, regions must critically examine the factors set forth by agency officials to ensure that these factors truly and accurately reflect mission requirements and are not contrived to circumvent the thrust of the administration's urban policy. If the region is persuaded that an agency's position is fully justified, a request for approval of a non-central business area location should be submitted to the Commissioner of Public Buildings Service. This request must include a full, point-by-point discussion of the agency's position, the region's analysis, and the reasoning that led to support of the agency's point of view.

Development of plans for relocating agencies
into central business districts

On August 16, 1978, the President signed Executive Order 12072 "Federal Space Management" which revoked Executive Order 11512 "Planning, Acquisition, and Management of Federal Space" signed February 27, 1970. The President said that this order will help to put Federal buildings in urban areas. It will tend to move jobs, people, opportunities, and growth to the formerly abandoned central city areas or those areas that were being abandoned in a slow and inexorable way. The President stated that he hoped and expected this Government action to cause businesses, industry, and professional leaders to take the same kind of action to strengthen the backbone of our major cities.

On August 18, 1978, GSA, citing Executive Order 12072, requested all regional commissioners to prepare housing plans for all cities that had significant amounts of space outside the central business district and its fringes. Studies were to be furnished to the GSA's Office of Space Management within 90 days for all standard metropolitan statistical areas where GSA was responsible for at least 100,000 square feet of general purpose space and where at least 20 percent of the space was outside the central business district. Plans for cities with smaller amounts of space were to be retained in the region. In addition to identifying possible actions that may be taken in individual cities, the studies were to help GSA analyze the potential impact of Executive Order 12072 on a nationwide basis.

On September 5, 1978, a memorandum transmitting a copy of Executive Order 12072 was sent to all GSA regional administrators. The memorandum emphasized that whereas in the previous Executive Order 11512 socioeconomic considerations were one factor among several in evaluating locations for Federal activities, these considerations were of primary importance in Executive Order 12072. The memorandum stated that the key section of the order specifies that:

"* * * the process for meeting Federal needs in urban areas should give first consideration to a centralized business area and adjacent areas of similar character, including other specific areas which may be recommended by local officials."

The memorandum concluded that every effort must be made to direct the acquisition, assignment, and reassignment of space to the central city. The same basic policy stated in the GSA memorandum of April 25, 1978, was continued in force, with the exception that local officials (mayor, city council, etc.) would indicate when a Federal activity should be located outside the central business district. A proposed Federal Property Management Regulation amendment, fully implementing the Executive order, was published on March 29, 1979.

Results of GSA's urban policy implementation

In March 1979 GSA reported that since the signing of Executive Order 12072, it had relocated to downtown areas almost 2,100 Federal employees in approximately 400,000 square feet of space in 57 different leases located throughout the country. GSA said that, for the most part, the agencies have cooperated in its efforts to carry out the aims of the Executive order, although some agencies have chosen to test the seriousness of the President's policy and GSA's implementation of it.

The most notable case to date developed at GSA's region 8 headquarters in Denver, Colorado, involving the Western Area Power Administration, an element of the Department of Energy. GSA proposed locating the Power Administration to the Denver central business area, but Department of Energy officials strongly opposed such a move because their operational requirements dictated that they be near the Bureau of Reclamation which is housed at the Federal Center in Lakewood. Certain duties of the Western Area Power Administration were drawn from the Bureau when the Power Administration was established in 1977, and officials maintained that many of its functions were still closely tied in with the Bureau. GSA's position was that while proximity to the other agency might be desirable, it was not critical to the Power Administration's functioning and should not take precedence over the central business area requirement of Executive Order 12072.

Implementation of the relocation plan in region 8 is discussed below, along with some data on the use of space there.

GSA region 8 - Denver, Colorado

In response to the GSA memorandum, the GSA regional office set up a plan to relocate Federal activities to the Denver central business area during the period of 1979

through 1983. There were 13 urban and suburban areas in which Federal activities lease and own space. Denver is one of those areas. There were about 17,100 Federal employees, 3,633,295 square feet of Federal-owned space (of which 669,440 square feet were in Denver), and 1,763,203 square feet of leased space (of which 569,794 feet were in Denver). Leased space in Denver had an average cost of \$6.81 a square foot.

An October 1978 GSA analysis of its plan contained the following information on the commercial space rental market:

- The Denver Building Owners and Managers Association survey showed a vacancy rate of 4 percent in July 1978 compared to a vacancy rate of 13 percent in 1977.
- The downtown Denver core market area had a 2-percent vacancy rate in July 1978. The medium asking rate was \$8 to \$9 a square foot; 1 year earlier it was \$7 to \$8. The Building Owners and Managers Association felt the rental rates would increase another dollar per square foot by the end of 1978.
- The Denver Chamber of Commerce reported a vacancy rate in the central business district of 6.4 percent in August 1978. Office space in the Denver central business district was expected to increase from 8.1 million square feet to 12.6 million square feet by 1983.
- The September 1978 issue of the National Real Estate Investor reported on the commercial space rental market boom in Denver. It estimated there will be a shortage of 2.35 million square feet of office space in Denver by the end of 1982 and an approximate 1.37 percent vacancy rate in 1983.
- While Federal-owned space is expected to remain the same, Denver is expected to have a net increase in leased Federal space of 448,328 square feet by 1983 because of the President's urban policy. This increase includes new agencies not presently housed in the standard metropolitan area; expansion of agencies presently located in the central business district; and agencies relocating from other communities in the area, but outside Denver's central business district.

--The urban policy's purpose is not only to assist in revitalizing declining communities, but to contribute to the continued viability of those cities which, at present, are economically sound.

Relocating Federal facilities to central business districts is not targeted solely to distressed cities. The GSA policy implementation applies to all cities and, as such, does not embrace the national urban policy principle of stretching available Federal resources by making the problems of people and places in the greatest need the first priority.

Denver ranked 304 of 322 distressed cities which HUD listed in December 1978 as having met the minimum standards of physical and economic distress. At the time of that ranking, Denver was experiencing an expansion through private developers. Although in this case the city met the distressed-cities criteria, the question still remains whether the President's national urban policy is effectively served by having Federal agencies compete for scarce space with private organization.

The matter of an agency preferring not to relocate because of proximity to another agency was also raised in two cases involving the Federal Highway Administration. In Madison, Wisconsin, and Springfield, Illinois, the Highway Administration district offices were told they would be relocated to the central business areas of their respective cities. Madison was listed as a distressed city by HUD; Springfield was not. The Highway Administration appealed the decision to GSA claiming that efficiency of its district office operations was dependent upon the offices being located close to the State highway authorities. As in the case of the Western Area Power Administration, GSA pointed out that a close working relationship does not of itself require adjacent or even proximate facilities. GSA advised the agency that its two offices would be moved downtown.

GSA reports on compliance with Executive Order 12072 for September through December 1978 and for February 1979 showed placement of 16 leases totaling 287,000 feet in central business areas of cities HUD identified as being distressed. The reports also showed the placement of 43 leases totaling 197,000 feet in central business areas of cities not identified as distressed cities.

GSA AUTHORITY CLARIFIED FOR EXECUTIVE
AGENCIES BY WHITE HOUSE MEMORANDUM

On March 9, 1979, a White House memorandum signed by the Assistant to the President for Intergovernmental Affairs and the Director, OMB, informed the heads of departments and agencies that:

- The Administrator of General Services is given primary responsibility for implementing Executive Order 12072 which requires that the processing for Federal space needs in urban areas shall give first consideration to a central business area and other areas recommended by local officials.
- The heads of all executive agencies are required to cooperate with the Administrator.
- Agencies which intend to acquire or lease space under their own authority must conform to Executive Order 12072. They must also obtain in advance of the action, advice from the Administrator in writing, as to whether or not their planned action conforms with the Executive order.

GSA SPACE ASSIGNMENT DECISIONS ARE FINAL

The Federal Property Management Regulations, subchapter D-Public Buildings and Space, section 101-17.104-4(b) provided agencies with a final level of appeal to the President when an agency disputed a GSA decision regarding space assignment.

On March 19, 1979, GSA published an amendment to the Federal Management Regulations in the Federal Register to conform to the requirements of Executive Order 12072:

"* * * which no longer includes the provision that an agency head may make a written request for review, through the Director of the Office of Management and Budget, to the President in those instances where an agency has disputed the assignment of space. Thus, the decisions made by the Administrator of General Services are final."

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