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Dear Senator Cranston:

Your letter dated June 30, 1972, requested that we contact the General Services Administration (GSA) to determine whether an investigation of the bidding procedure for the Shreveport, Louisiana, Federal facility was advisable. Your request apparently stemmed from information given to you by Pollack-Pacific Corporation. We inquired into the solicitation, bid, and award of this project and discussed the results of our work with your office. Subsequently, your office requested that the information we had obtained be presented in a written report.

02 1 3/ After the House and Senate Committees on Public Works approved a prospectus for leasing the Shreveport facility, GSA issued a solicitation for offers dated December 23, 1971, to 62 prospective offerors. GSA solicited these offers under the authority of section 302(c)(10) of the Federal Property and Administrative Services Act of 1949 (63 Stat. 377), as amended. GSA stated its needs as about 116,000 net usable square feet of office, storage, and special-purpose space to be provided in a building to be constructed on a 48,000 square foot parcel of land (front half of block 20) on which GSA held assignable options to purchase at \$420,140.25. In addition to the 116,000 square feet, the solicitation specified that two floors (basement and subbasement) would be required for parking areas.

The solicitation stated that any desired explanations or additional information regarding interpretations of the conditions or specifications must be requested from GSA in writing and that oral explanations or instructions were not binding.

GSA's policy is to negotiate leases except where all factors are present which would permit true competition and where the formal sealed bid method is required by law. The negotiation procedure has been used for about 93 percent of the leases awarded.

Because the lease for the Shreveport facility was to be negotiated, GSA solicited offers rather than bids which are normally associated with procurements made under formal advertising and sealed bid procedures. Offers were solicited under three different propositions:

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1. Proposition A provided for a 20-year, firm-term lease, with two additional 5-year renewal periods.
2. Proposition B provided for a 20-year, firm-term lease, with two additional 5-year renewal periods and with the Government having the option to acquire title to the building at the end of the 20th year at no cost.
3. Proposition C was the same as B above, except the Government would have the option to acquire title at the end of the 30th year at no cost.

In response to the solicitation, 10 proposals were received from seven offerors. John W. Jennings, Jr., the successful offeror submitted two proposals--one was in accordance with the provisions of the solicitation and the other, a variation whereby, in lieu of the basement parking for 211 vehicles, parking facilities would be provided in a separate connecting parking annex to be located on the back half of block 20 on which Mr. Jennings had obtained purchase options after the solicitation was issued. The parking annex would accommodate 296 vehicles and would provide for one level of covered parking plus second-level parking on the roof.

After GSA received the initial proposals in March 1972, it negotiated with all offerors between April 26 and May 8, 1972. GSA requested each offeror by letter to submit amendments to his proposal by May 8, 1972.

A comparison of the proposals submitted by John W. Jennings, Jr., and the Pollack-Pacific Corporation (affiliated with the Shreveport Federal Building Company) under proposition A follows.

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	<u>John W. Jennings, Jr.</u>		<u>Pollack- Pacific Corporation</u>	
	<u>Rate per square foot</u>	<u>Annual rental</u>	<u>Rate per square foot</u>	<u>Annual rental</u>
March 1972:				
Initial proposal	\$6.376	\$739,661	\$6.877	\$797,780
Alternate proposal to include parking in adjacent facility in lieu of basement parking	6.086	706,021	-	-
Alternate proposal whereby Government would pay all taxes, maintenance costs, and insur- ance premiums (note a)	-	-	5.731	664,908
May 1972:				
Revised proposal	6.256	725,661	6.617	767,576
Alternate proposal	6.157	714,201	-	-
Alternate proposal (note a)	-	-	5.731	664,908

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^aPollack-Pacific Corporation's alternate proposal was considered by GSA to be nonresponsive since the solicitation specifically required that the successful offeror would be responsible for maintenance and for paying taxes and insurance premiums, estimated by GSA to cost about \$1.19 a square foot.

GSA officials informed us that proposition A offers, submitted in accordance with the solicitation, were evaluated and that John W. Jennings, Jr., was the lowest responsive bidder. GSA's analyses showed that Mr. Jennings submitted the lowest responsive offer in March and in May 1972. Proposition B and C offers were not evaluated because GSA concluded, after the solicitation had been issued, that it did not have legal authority to award a lease under the terms contained in these propositions.

GSA notified Mr. Jennings on June 7, 1972, that it accepted his alternate offer to construct and lease a facility

with adjacent and connecting bilevel parking on a 1-block area at an annual rental of \$714,201 for 20 years with two 5-year renewal options at an annual rental of \$850,000.

GSA's position is that under the solicitation Mr. Jennings submitted the lowest responsive offer of \$6.256 a square foot, or \$725,661 annually, and that he is entitled to the award on that basis. GSA also says it was in the Government's best interest to accept Mr. Jennings' alternate proposal of \$6.157 a square foot which was \$0.10 a square foot less than the lowest responsive offer of \$6.256, or about \$230,000 less for the 20-year lease term. Acceptance of this alternate offer did not prejudice the other offerors or give Mr. Jennings an unfair advantage, according to GSA. The alternate proposal rental of \$714,201 a year is less than the fair annual rental of \$720,000 as estimated by a GSA appraiser prior to the lease award.

Mr. Pollack told us that he was informed orally by a GSA official that an alternate bid would not be accepted and that the GSA official also told his architect by telephone that any deviations from the solicitation concerning parking would not be accepted by the Government. Neither Mr. Pollack nor the architect documented the oral conversations with a written record to GSA. As indicated previously, the solicitation specified that oral explanations or instructions were not binding.

Mr. Pollack stated that the difference between Mr. Jennings' offer of \$6.256 and his alternate offer of \$6.157 a square foot was not realistic. It is his opinion that the spread of \$229,200 in rental for 20 years (\$0.10 a square foot annually) should be about \$2 million because of the savings in construction costs between above-grade and basement parking areas.

Although the GSA appraisal estimates of costs and other values give some measure of reasonableness of the alternate rental, we believe that additional offers would have provided a better measure. However, acquiring additional offers was impossible because Mr. Jennings had acquired purchase options on the only adjacent land, the remaining one-half of block 20. Mr. Jennings' alternate proposal provided the Government a lower rental rate than was otherwise offered and provided increased parking capacity.

The GSA official told us that in response to oral questions he had informed Mr. Pollack, the architect, and other

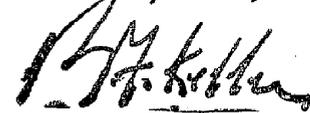
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offerors that, unless a proposal were first submitted in response to the solicitation, GSA would not consider an alternate proposal. According to a GSA negotiation record, the GSA official orally informed Mr. Pollack on April 26, 1972, that GSA could not control the submission of any alternate proposal but that an offeror must submit a proposal which would be responsive to the solicitation before consideration could be given to his alternate.

From the above information, which, as indicated, we obtained mostly from GSA, it does not appear that an investigation of the bidding procedure in this case is warranted. We trust the information furnished meets your needs and will be pleased to discuss the matter further with you if you wish.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,



Deputy Comptroller General
of the United States

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The Honorable Alan Cranston
United States Senate