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GENERAL GOVERNMENT
DIVISION

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RELEASED

SEPTEMBER 30, 1983

The Honorable Edward Zorinsky
United States Senate

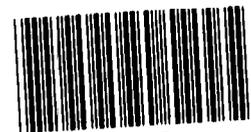
Dear Senator Zorinsky:

Subject: The General Services Administration's
Decision Not To Construct A Federal Building
Project In Omaha, Nebraska (GAO/GGD-83-100)

As you requested, the General Accounting Office has reviewed the General Services Administration's (GSA's) decision not to construct a new Federal office building in Omaha, Nebraska despite the fact that it had earlier determined that such a building was needed. The objectives of our review were to (1) determine the basis for the 1978 proposal for the project, (2) evaluate the information used by GSA officials to cancel the project, and (3) determine the appropriateness of GSA's decision.

We interviewed GSA's Public Buildings Service's officials and examined files and records related to the project at the GSA Central Office in Washington, D.C., and at its Regional Office in Kansas City, Missouri, which has management responsibility for GSA matters in Omaha.

We reviewed how GSA determined and used the various factors it considered in arriving at its decision not to construct the building in Omaha. This review, which was made from January through April 1983, was conducted in accordance with generally accepted Government audit standards.



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In summary, we found that the following sequence of events took place:

- The House Committee on Public Works and Transportation directed GSA in 1978 to investigate the need for constructing a Federal office building in Omaha, Nebraska.
- The GSA, in 1978, proposed to the Congress the construction of a new 200,100 square feet Federal office building in Omaha to accommodate a relocation of personnel from Government-owned and -leased space and to provide space for future agencies' expansion. The project was approved by the House Committee on Public Works and Transportation.
- While GSA did not request funds for the project, the continuing appropriations resolution for fiscal year 1982 provided funds based on action taken by the Senate Committee on Appropriations.
- The fiscal year 1982 funding prompted GSA to evaluate and update the need for the building. The evaluation, performed in 1982, showed that agencies' space needs in Omaha had decreased by about 50 percent since the project was proposed in 1978.
- GSA's Kansas City Regional Administrator recommended that GSA not proceed with the proposed project because of the reduced space requirements and other factors, including an expected drop in Federal employment to be housed in GSA-controlled space, an existing high ratio of Government-owned space to leased space in Omaha, and a proposed decrease in the number of square feet of space each Federal employee will be authorized in the future.
- The GSA Public Buildings Service Commissioner agreed with the Regional Administrator's recommendation and the proposed Omaha office building project was cancelled.

--The funds appropriated for the project were reprogrammed by GSA, with the approval of both the Senate and House Committees on Appropriations, to help cover a shortfall in leased space funds in GSA's leasing program.

Additional details on the results of our review are contained in the enclosure.

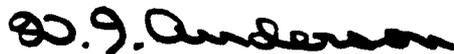
In view of the substantial decrease in space requirements for this project, the projected decline in the number of employees to be housed in GSA-controlled space in the future, and the planned decrease in space allocations for Federal employees, we believe GSA's decision to cancel the construction project proposed in 1978 was appropriate.

On September 6, 1983, the Deputy Administrator of General Services advised us that GSA concurs with the contents of this report.

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As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of the report. At that time, we will send copies to the Chairmen, House Committee on Public Works and Transportation, Senate Committee on Environment and Public Works, and the House and Senate Committees on Appropriations. We will also send copies to the Director of the Office of Management and Budget and to the Administrator of General Services and make copies available to other interested parties upon request.

Sincerely yours,



William J. Anderson
Director

Enclosure

INFORMATION REGARDING THE GENERAL SERVICES
ADMINISTRATION'S DECISION NOT TO CONSTRUCT
A FEDERAL BUILDING PROJECT IN OMAHA, NEBRASKA

HISTORY OF THE PROPOSED PROJECT

The House Committee on Public Works and Transportation, by Committee Resolution dated April 25, 1978, authorized and directed the Administrator of General Services to investigate the feasibility and need for constructing a Federal office building in Omaha, Nebraska. After performing the investigation, GSA submitted a report of Building Project Survey to both the House Committee on Public Works and Transportation and the Senate Committee on Environment and Public Works on September 27, 1978. GSA proposed a facility in Omaha to be provided either by Federal construction or by a combination of construction, acquisition, and renovation of an historically, architecturally, or culturally significant building.

Project request and approval procedures
under the Public Buildings Act of 1959

Section 11 (b) of the Public Buildings Act of 1959, as amended, states that either the Senate Committee on Environment and Public Works or the House Committee on Public Works and Transportation may direct the Administrator of General Services to make building project surveys and to report to the Congress. The act requires that the report contain all information required by section 7 of the act to be included in a prospectus of the proposed public building project.

Section 7 of the Public Buildings Act of 1959, as amended, requires the Administrator of General Services to submit for approval to the House Committee on Public Works and Transportation and the Senate Committee on Environment and Public Works a prospectus describing the location and cost of each proposed project costing over \$500,000 for the purpose of securing the Committees' approval. Section 7 provides that no appropriations be made if the project has not been approved by the Senate and House committees.

The project proposed in 1978

The proposed Federal building project was estimated to cost \$32.4 million and contain 200,100 square feet of office space, a parking facility, and a vehicle maintenance facility. The proposed building was to accommodate the relocation of Federal personnel from Government-owned and leased space. The project included a proposal to (1) dispose of the oldest one of three federally owned buildings in Omaha and to relocate the Federal personnel occupying that building to the proposed new facility, (2) relocate the Federal personnel occupying about 65 percent of the leased space in Omaha to the proposed new facility, and (3) provide space for future expansion. The oldest Federal building was proposed for disposal by GSA because retention of the building would have required extensive repairs, alterations, and modernization.

The 1978 proposal included a programmed space expansion on the premise that there would be a continued growth of Federal activities in Omaha. Of the total space requirement of 200,100 square feet in the 1978 proposal, about 61,200 square feet of the space requirement was for expansion space. About 40,500 square feet of expansion space was reserved for future expansion and for custodial and multiple uses by GSA, and about 20,700 square feet was projected for expansion by tenant agencies.

The approval of the project

The House Committee on Public Works and Transportation approved the proposed Omaha project by Committee Resolution on October 4, 1978, pursuant to the provisions of section 7 of the Public Buildings Act of 1959, as amended. The Senate Committee on Environment and Public Works informed GSA on November 29, 1979, that it required additional information on the proposed Omaha project before the Committee could take action on the project. The Senate Committee raised specific questions on various issues, such as: the percentage of leased space in Omaha to be relinquished and the ratio of Government-owned to leased space; the implied increase in Federal agency population and activity; the square foot requirement of the proposed Federal building; and the proposed disposal of one of the Federal buildings in Omaha.

GSA on January 3, 1980, provided the requested information to the Senate Committee on Environment and Public Works, and on July 23, 1980, advised both Committees that the estimated project cost had increased to \$40.7 million due to an increase

in estimated construction costs. The House Committee on Public Works and Transportation approved the increased cost of \$40.7 million for the Omaha project by Committee Resolution on September 16, 1980. The project was not approved by the Senate Committee on Environment and Public Works pursuant to provisions of section 7 of the Public Buildings Act of 1959, as amended.

Funds appropriated for project

The Senate Appropriations Committee in its report on appropriations for GSA recommended a funding level of \$57.8 million to construct and acquire facilities in fiscal year 1982, of which \$4.6 million was for site acquisition and design for the Omaha Federal office building project. Public Law 97-92, the continuing appropriations resolution for 1982 approved on December 15, 1981, provided funds for the project based on the Senate Appropriations Committee's actions. Funds for this project were not included in the fiscal year 1982 budget submitted by GSA.

BASIS FOR GSA'S DECISION NOT TO CONSTRUCT THE PROJECT

In March 1982, after receiving a directive from GSA's Central Office to proceed with the site acquisition and design for the project, GSA's Kansas City Regional Office requested the Federal agencies housed in the Omaha area to review their space needs for the proposed new Federal office building in Omaha. The GSA Regional Office summarized these space needs in June 1982. GSA's summarization of the agencies' review showed a total office space requirement of 100,790 square feet, a reduction of 99,310 square feet from the space requirement proposed in 1978.

The most significant influence on the reduction in space requirements between the 1978 proposal and 1982 was the reduction of the need for future space expansion. For instance, of the total reduction of 99,310 square feet:

- 65,982 square feet was the result of a reduction in agency expansion space of 61,227 square feet and further reduction of the agencies' existing space needs.
- 19,910 square feet was the result of a reduction in the amount of existing leased space to be canceled after relocation of employees to the proposed new building.

--13,418 square feet was the result of the cancellation of 13,281 square feet for the relocation of employees from existing Government-owned space to the proposed new building and further reduction of the agencies' existing space needs in the Government-owned building that was proposed for disposal by GSA.

The Regional Administrator's recommendation that the project be withdrawn

In June 1982, GSA's Kansas City Regional Administrator recommended to GSA's Public Buildings Service Commissioner that the project be withdrawn. The Administrator felt it inappropriate to proceed with the project as proposed in 1978 in view of the significantly reduced space requirements and recommended that GSA continue to meet current office space needs in Omaha through use of existing Government-owned buildings and through leased space. The Public Buildings Service Commissioner agreed with the Regional Administrator's recommendation and the proposed Omaha office building project was cancelled.

Other factors relating to the decision not to construct the project

Another consideration in the decision not to construct the project was the GSA Public Buildings Service Management Plan and Strategic Posture for accommodating the public building needs of the U.S. Government for the fiscal year 1982-1988 period. The Management Plan, dated February 16, 1982, notes that in terms of strategic direction and initiatives, a drop in Federal employment housed in GSA-controlled space is expected over the fiscal year 1982-1988 time frame together with an improved office space utilization rate. The changes from both the decline in numbers to be housed in GSA controlled space and the utilization rates are expected to result in about 70 percent to 75 percent of Federal employees being housed in Government-owned space by fiscal year 1988, with an ultimate objective of housing about 80 percent of Federal employees in Government-owned space.

The June 1982 regional recommendation noted that when declining growth projections of Federal employees housed by GSA are considered in conjunction with the existing Omaha community ratio of Government-owned to leased space (75 percent to 25 percent), there remained little justification for the proposed project.

We learned that in Omaha there has been a reduction in GSA-controlled space since the project was proposed in 1978. Also, the Omaha ratio in January 1983 of Government-owned to leased space under GSA's control was 75.6 percent to 24.4 percent. Thus, GSA in Omaha is already meeting its 1988 objective of housing 70 percent to 75 percent of Federal employees in Government-owned space. In addition, the ratio in Omaha exceeds the national average ratio (53 percent to 47 percent) for Federal employees working in GSA-controlled space.

The GSA controlled space in Omaha, as of May 1978 and January 1983, is illustrated in the following schedule.

GSA CONTROLLED SPACE IN OMAHA IN
1978 AND 1983

	<u>1978</u> (in square feet)	<u>1983</u> (in square feet)
Leased Space	144,765	125,966
Government-Owned Space	<u>392,111</u>	<u>390,320</u>
Total Space	<u>536,876</u>	<u>516,286</u>

The Kansas City Regional Administrator, in his June 1982 recommendation to the Public Buildings Commissioner that the 1978 project be withdrawn, also considered the proposed decline of the space allocation standard from 165 to 135 square feet for Federal employees. The space allocation standard for Federal employees was decreased to 135 square feet per employee in February 1983. This decrease in GSA's space allocation standard for Federal employees will result in a reduction in office space needs.

The Public Buildings Service February 16, 1982, Management Plan also presents the national proposed construction and acquisition program. The plan notes that projects to satisfy validated space needs are considered on a case-by-case basis, and that the decisions are favoring ownership when annual rental rates for comparable leased space approach or exceed the low \$20s per occupiable square foot. The Regional Administrator, in his June 1982 recommendation, had noted that \$12 per square foot fully serviced represented a favorable rental market for office space in Omaha.

PROJECT FUNDS REPROGRAMMED

After cancelling the Omaha project for a new Federal office building, GSA reprogrammed the \$4.6 million appropriated for site acquisition and design as part of a \$36 million reprogramming action to cover a shortfall in leased space funds in GSA's leasing program.

The Joint Resolution of Congress approved on October 2, 1982, providing for continuing appropriations for fiscal year 1983, included \$770 million for rental of space. GSA estimated the costs of maintaining their leased space inventory to be \$806 million, which is \$36 million greater than the Joint Resolution provided.

GSA, on December 27, 1982, requested the House and Senate Committees' on Appropriations approval to reprogram, within GSA's Federal Building Fund, \$36 million from funds authorized in fiscal year 1983 and in previous years for construction and repairs and alterations projects to increase the \$770 million for rental of space to \$806 million. GSA proposed funding the increased costs of the rental of space activity through the reprogramming of funds from low priority construction projects and low priority repairs and alterations projects which it felt could be cancelled or delayed. The listing of the project funds which were to be reprogrammed included the \$4.6 million for the Omaha Federal building project appropriated in fiscal year 1982.

On January 31, 1983, the House and Senate Committees on Appropriations approved GSA's request to reprogram the \$36 million from the Construction and Repair and Alteration funds to cover the shortfall in leased space funds.