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11-20-70



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

RELEASED

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NOV 20 1970

Dear Senator Spong:



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In accordance with your request dated March 17, 1970, we have examined into a proposed exchange between the Department of the Interior and Mr. Charles Fairchild and the Richmond, Fredericksburg, and Potomac Railroad Company. This proposed exchange provides for granting access rights to the George Washington Memorial Parkway for a proposed development by Mr. Fairchild. The development is referred to as the Potomac Center and is located near the Washington National Airport. Access would be gained to and from the Parkway via a bridge which would be constructed by Mr. Fairchild or the Richmond, Fredericksburg, and Potomac Railroad Company, at no expense to the Government. Approximately 1.3 acres of federally owned land would be made available for the necessary connecting ramps.

In return for granting access to the Parkway, the Government would receive title to about 28.8 acres of land owned by Mr. Fairchild at Dyke Marsh, which is about 1-1/2 miles south of the Woodrow Wilson Bridge. The exchange agreement provides that the vehicular bridge to be constructed across the Parkway could be utilized by the Park Service to provide better access to existing recreation facilities on Daingerfield Island. (See map on p. 18 of encl. I.)

In a June 12, 1970, meeting with members of your staff, we agreed to furnish you with information concerning the derivation of the value of each item involved in the proposed exchange. It was agreed that, because factors which could have a significant effect on the value of certain of the items involved in the proposed exchange had not been fully resolved and because of a lack of adequate documentation supporting the determination of certain values, we would not offer any conclusions on the reasonableness of the values involved in the exchange.

The matters considered in our review are discussed in detail in enclosure I. Our comments on the items that appeared to be of most interest to you are summarized below.

The exchange agreement, in essence the same as the draft agreement transmitted to the House and Senate Committees on Interior and

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Insular Affairs on February 19, 1970, was signed by the Secretary of the Interior on June 5, 1970. The agreement has been submitted to Mr. Fairchild and representatives of the Railroad for signing. Park Service officials believe that Mr. Fairchild and the Railroad will not sign the agreement until the design of the bridge to be constructed is approved by the Fine Arts Commission, the National Capital Planning Commission, and the Park Service.

The values assigned to the properties and appurtenances involved in the proposed exchange are shown in the table on page 4 of enclosure I.

The value assigned to Mr. Fairchild's Dyke Marsh property represents a compromise between two appraisals - one made by the Park Service and one made by an independent appraiser for Mr. Fairchild. The Park Service appraisal was based on three sales between private parties involving 1/2- to 1- acre lots with water frontage on the Potomac River in the Wellington and Belle Rive subdivisions of Fairfax County and on one sale between two corporations involving 16 acres of unimproved filled marsh land. The appraisal made for Mr. Fairchild was based on sales between private parties at Tantallon on the Potomac in Prince Georges County, Maryland, and at the Belle Rive and Lake Barcroft subdivisions in Fairfax County, Virginia.

The Park Service appraisal report issued in November 1968 indicated that the Dyke Marsh property was capable of being developed into 17 residential lots (two per acre) and that much of the remaining acreage was considered to be residual land which could not be built on at the time of the appraisal, because of its low level in relation to the Potomac River and because of other technical reasons. The appraiser valued the residential lots at about \$60,000 per acre. The selling price of the comparable sales of residential property cited in the appraisal report ranged from \$43,200 to \$72,900 per acre.

The independent appraiser, in his report to Mr. Fairchild in June 1969, indicated that the Dyke Marsh property could be subdivided into 49 residential lots averaging somewhat less than 1/2 acre. The per-acre value, assigned by the appraiser to the land to be subdivided, ranged from

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\$60,000 to \$140,000, whereas the per-acre value of the comparable sales cited in the appraisal report ranged from \$20,038 to \$93,654.

The Park Service determined that the value to the public of the vehicular bridge to be constructed by Mr. Fairchild was \$540,000 which represented the cost of construction as estimated by Mr. Fairchild. The Department informed us that the total cost of constructing the bridge, including ramps and connections, could be substantially greater than Mr. Fairchild's estimate. The Department and the Park Service were unable, however, to document any detailed estimate relating to the value to be derived by the Government from the use of the vehicular bridge to and from Daingerfield Island, nor did they have in their files any documentation from Mr. Fairchild in support of his estimate of \$540,000.

With regard to the Federal land required for access ramps to the vehicular bridge, Park Service records showed that the amount of land estimated to be required for the access ramps was considered to be minimal. According to a Park Service official, the estimated value of the land was determined by taking into account the amount paid by the Richmond, Fredericksburg, and Potomac Railroad to the Washington and Old Dominion Railroad in 1968 for access rights to the Parkway at Slaters Lane in Alexandria, Virginia.

According to Park Service officials, the land to be developed by Mr. Fairchild would increase in value as a result of access to the Parkway. Although the extent of the increase reportedly had been determined by Park Service appraisers, the Park Service was unable to furnish us with any documentation supporting this estimated increase in value.

On September 2, 1970, we submitted a copy of our draft report to the Department for comment as agreed upon with a member of your staff. The Department's comments were received on September 17, 1970, and have been incorporated, as appropriate, in enclosure I. They are included also in their entirety as enclosure II.

In essence, the Department expressed concern that our report indicated that the Park Service did not have sufficient data for supporting its actions. With respect to the lack of documentation for the value of the bridge to be constructed by Mr. Fairchild, the Department's letter acknowledged that the estimate of \$540,000 had been prepared by Mr. Fairchild. The Department informed us that it estimated that the construction cost of the bridge would be in excess of \$800,000, which was significantly more than Mr. Fairchild's estimate. Since the difference was so obviously in favor of the Government, the Department stated that it had seemed unnecessary to request a detailed estimate from Mr. Fairchild.

We requested that the Department furnish us with the support it had for its cost estimate for constructing the bridge. The support, as furnished by the Department for its estimate, is a handwritten, one-page, unsigned, untitled work sheet which shows the cost of the "ramps-overhead" to be about \$849,000. The work sheet according to Park Service officials, was prepared by the Park Service's Eastern Service Center. We were informed by a Service Center official that the \$849,000 included the estimated cost of the overpass structure and ramps and was based on the assumption that the bridge would have to span six lanes because the Parkway would have to be expanded by two lanes as a result of increased traffic. Documentation provided us by the Park Service did not provide sufficient detail or explanation to enable us to assess the reasonableness of the estimated cost of \$849,000.

The Department determined that the value which the Government would derive from the bridge in this exchange would be \$540,000. Apparently the Department has considered the value of the bridge to the public, as a result of improved access to Daingerfield Island, to be identical to Mr. Fairchild's estimated cost of \$540,000 to construct the bridge. It would appear that a proration of the cost should have been made in determining the value accruing to the Government since about 90 percent of the bridge traffic, according to information in Park Service files, will be generated by the Potomac Center development.

With regard to the estimated increase in value to the Potomac Center, the Department stated that an appraisal had been prepared by

the same staff appraiser who had prepared the appraisal of Mr. Fairchild's Dyke Marsh property. Unfortunately, according to the Department, the staff appraiser transferred to another Government agency, and due to the pressure of other work, he did not reduce his work to a formal appraisal document.

We examined a memorandum prepared by the staff appraiser which referred to an attached appraisal of the Potomac Center. Attached to the memorandum was a one-page, untitled document signed by the staff appraiser containing value estimates for three areas, including the Potomac Center and Dyke Marsh. The document contained no explanation or support for any of the values cited.

The Department's comments on our draft report indicated also that field notes from the appraisal of the Potomac Center had been prepared by the Park Service staff appraiser and were available for our examination. Our examination of these notes showed that they did not present enough additional detail or explanation to enable us to assess the reasonableness of the values assigned to the Potomac Center.

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.

We hope that the information furnished will be of assistance to you in your consideration of this land exchange agreement.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James P. Arto".

Comptroller General
of the United States

Enclosures

The Honorable William B. Spong, Jr.
United States Senate

GENERAL ACCOUNTING OFFICE STATEMENT
ON THE VALUES INVOLVED IN THE PROPOSED EXCHANGE
OF ACCESS RIGHTS TO THE GEORGE WASHINGTON MEMORIAL
PARKWAY FOR CERTAIN PRIVATE PROPERTY

The General Accounting Office has obtained information concerning the values assigned by the Department of the Interior to certain property and appurtenances involved in a proposed exchange between the Department and Mr. Charles Fairchild and the Richmond, Fredericksburg, and Potomac Railroad Company.

The exchange agreement provides that the United States will obtain title from Mr. Fairchild to approximately 28.8 acres at Dyke Marsh, which is about 1-1/2 miles south of the Woodrow Wilson Bridge along the George Washington Memorial Parkway in Fairfax County, Virginia, in return for granting access rights to the Parkway at an area known as the Potomac Center. This area is adjacent to the Parkway across from Daingerfield Island and near the Washington National Airport. (See map on p. 18.) The Potomac Center is being considered for commercial development by Mr. Fairchild.

As part of this exchange the Park Service will deed, grant, or issue easements or other interests in so much Federal land as may be necessary for adequate access ramps and abutments for a vehicular bridge to be constructed by Mr. Fairchild or the Richmond, Fredericksburg, and Potomac Railroad across the Parkway into the Potomac Center.

DESCRIPTION OF PROPERTIES AND
EVENTS INVOLVED IN THE EXCHANGE

The Dyke Marsh property owned by Mr. Fairchild is part of an area known as Hog Island and, according to the Park Service, is the last significant portion of marsh property remaining in private ownership in that area. There is direct access to the Parkway from Mr. Fairchild's property and he indicated to the Park Service that he intended to develop it if the proposed exchange was not approved.

The Potomac Center site is owned by the Richmond, Fredericksburg, and Potomac Railroad Company and consists of about 42 acres of land between the Parkway and the Railroad's marshalling yards. According to information in National Park Service files, Mr. Fairchild contemplates developing the Potomac Center at an estimated cost of \$100 million. The Center is to consist of eight to 12 office buildings and possibly a hotel and is expected to provide employment for as many as 10,000 people. Presently the only access to the Potomac Center property is via a right-of-way from Slaters Lane, which connects with the Parkway at grade level. According to the exchange agreement, Mr. Fairchild is the holder of a leasehold interest granted by the Railroad in the Potomac Center.

The proposed exchange had been under consideration by the Park Service for about 3-1/2 years. During this time various proposals were made by Mr. Fairchild for access rights to the Potomac Center site and numerous meetings were held between the Park Service and Mr. Fairchild and his representatives.

In mid-1968, Mr. Fairchild advised the Park Service that he was willing to give up the access rights to his property at Dyke Marsh in exchange for access rights to the Parkway at the Potomac Center site. At this time, he indicated also that he was willing to grant a scenic easement to the Park Service at the Dyke Marsh property.

In a September 3, 1968, letter to the Park Service, Mr. Fairchild's attorney stated that Mr. Fairchild was prepared to proceed with the Potomac Center project with or without access to the Parkway. The Park Service replied on September 5, 1968, that the proposed Potomac Center project would create serious traffic problems on the Parkway and that Mr. Fairchild should proceed with the project without access rights to the Parkway.

On October 8, 1968, Mr. Fairchild's attorney informed the Park Service that, in return for access rights to the Parkway, Mr. Fairchild was willing to construct an overpass at the proposed Potomac Center at no cost to the Government. The overpass not only would serve the Potomac Center, but also would be available to the Park Service to make such connections

as would be necessary to utilize the interchange for improved access to the existing recreation and marina facilities on Daingerfield Island and the planetarium proposed for construction on the island.

The Park Service records show that, at that time, the Railroad was also considering an extensive development over the railroad tracks immediately west of the Potomac Center which, along with the Potomac Center, could cause serious traffic problems on the Parkway. The exchange agreement stipulates, however, that the access granted to Mr. Fairchild is not to serve any land except the 42 acres identified as "the Potomac Center tract" or other substitute acreage, as defined in the agreement.

On December 23, 1968, Park Service officials met with Mr. Fairchild and his attorneys to discuss the proposed exchange in more detail. The Park Service and Mr. Fairchild tentatively agreed that access to the Parkway would enhance the value of 8 of the 42 acres of the Potomac Center site by \$700,000, or \$2 a square foot. The Park Service officials pointed out that access to the Parkway might increase the value of an additional 9 acres at the Potomac Center site by \$258,000. The remaining 25 acres were expected to be used for the construction of the proposed Northeast Expressway, streets and roads within the development, and a subway station, or were considered to be nondevelopable.

At this meeting it was agreed that, in exchange for access rights to the Parkway, Mr. Fairchild would build an overpass to the Potomac Center site and that all or part of the Dyke Marsh property would be transferred to the United States. The portion of the Dyke Marsh property to be transferred to the United States was to depend upon the value of the property.

Subsequent discussions between Park Service officials and Mr. Fairchild, regarding the value of the Potomac Center, resulted in an agreement that the 8.5 acres then developable would enhance in value due to the access to the Parkway and that the 14.5 acres not developable with the existing access would be developable if access were provided to the Parkway.

The properties and appurtenances involved in the proposed exchange and their assigned values, as agreed upon between the Park Service and Mr. Fairchild, are described in the following table which was prepared by the Park Service.

Value to the Government:

Estimated value of the Fairchild
property at Dyke Marsh (28.8
acres) \$ 805,000

Vehicular bridge across the
Parkway 540,000

Total value to the Govern-
ment \$1,345,000

Value to Mr. Fairchild:

Value of Federal land required
for access ramps for vehicular
bridge over Parkway to Potomac
Center site \$ 115,000

Increase in value of Potomac Cen-
ter site as a result of gaining
direct access to the Parkway 1,030,000

Total value to Mr. Fairchild \$1,145,000

ESTIMATED VALUE OF THE FAIRCHILD PROPERTY
AT DYKE MARSH

The \$805,000 value assigned to Mr. Fairchild's 28.8 acres at Dyke Marsh was a compromise between two appraisals of the property--one by a Park Service staff appraiser, dated November 27, 1968, which indicated that the property had a value of \$700,000, and one by an independent appraiser for Mr. Fairchild, dated June 4, 1969, which indicated that the property had a value of \$1,050,000. The property was purchased by Mr. Fairchild on August 12, 1963, for \$220,000 and is in an area zoned for rural, residential, 1/2-acre minimum lots.

The Park Service appraisal indicated the highest and best use of the property was rural, residential subdivision, consistent with its zoning, and valued the property on the basis of sales of land in the area. Four sales were cited in the appraisal report. Three of the sales were between individuals and involved lots ranging in size from about 1/2 acre at the Wellington subdivision to about one acre at the Belle Rive subdivision in Fairfax County, Virginia. The selling price of these lots ranged from about \$43,200 to \$72,900 an acre. The fourth sale was between two corporations and involved approximately 16 acres of filled marsh land near the intersection of the Capital Beltway and Route 1 south of Alexandria. According to the appraisal report, this land was sold for about \$100,000 an acre.

The Park Service appraisal stated that, of the 28.8 acres, approximately 18.8 acres were considered to be residual land which could not be built on at the time of the appraisal because of its low level in relation to the Potomac River. Taking into consideration that the land could be filled at a later date, the appraiser valued the land at \$10,000 an acre or about \$187,500. Allowing about 1.5 acres for streets, the appraiser indicated that the remaining 8.5 acres were capable of being developed into 17 residential lots (two per acre) which he valued at \$60,000 an acre or \$510,000.

Included as part of the Park Service appraisal of this property was a report, dated August 27, 1964, of a Fairfax County soil scientist on the Dyke Marsh property. The report stated:

"Seventy-one percent or 20.5 acres of this property is Tidal marsh most of which is covered with water each time there is a high tide. This tidal marsh area has a thick covering of organic material, it all rates poor for supporting buildings. All of this area would require many feet of fill material and piles before it could be used. Four percent of this property or 1.0 acre is in the flood plain. It is subject to flooding whenever the river reaches flood stage and rates poor for support of large buildings. The remainder of this property 25.0 percent or 7.3 acres is Marine clay. This marine clay occurs on a slope that ranges from 15 to 25 percent and is subject to slippage. It rates poor for supporting buildings. Before any buildings could be constructed on this part of the property considerable grading would be required. This grading would remove the toe of the slope and the water that is present in the hill could cause a landslide that would damage the existing Mount Vernon Highway."

According to the appraisal report, this information was considered by the Park Service appraiser in arriving at his final appraised value.

The appraisal made for Mr. Fairchild indicated the highest and best use of the property was for residential subdivision and that the property was capable of being subdivided into 49 lots averaging about 17,000 square feet each, or somewhat less than 1/2 acre per lot. This appraisal cited as comparable sales, sales at Tantallon on the Potomac which is in Prince Georges County, Maryland, and at Lake Barcroft and the Belle Rive subdivisions both of which are in Fairfax County, Virginia. The per-acre value of the sales varied from \$20,038 to \$93,654.

Included with the appraisal made for Mr. Fairchild were an engineering firm's plans for subdividing and developing the area and estimates of the development cost. According to the plans, Mr. Fairchild was proposing to construct channels through the area so that each lot would have direct water access to the river. All lots were to be bulkheaded, and access roads and utility services were also to be provided.

Using the sales and development cost data cited above, the appraiser estimated the selling price of each of the 49 lots and deducted from this price the estimated costs of developing the area to arrive at the appraised value of \$1,050,000 for the property. The selling price of the 1/2-acre lots was expected to range from \$30,000 to \$70,000.

According to Park Service files, Fairfax County had given only a preliminary approval to Mr. Fairchild's subdivision plan. This approval was subject to a number of conditions on such matters as natural drainage, grading, erosion control, and other engineering problems, which some Park Service officials believed could not be met. Park Service records referred also to a statement by a Fairfax County official that the Dyke Marsh area could not be developed at a profit if all county requirements were met.

ECOLOGICAL IMPORTANCE OF MR. FAIRCHILD'S
DYKE MARSH PROPERTY

According to National Park Service records, the 28.8 acres owned by Mr. Fairchild at Dyke Marsh is the last significant portion of Hog Island remaining in private ownership. Pursuant to the provisions of Public Law 86-41, dated June 12, 1959, 260 acres of Hog Island have been acquired by the Park Service for conservation purposes. This acreage is located north of the 28.8-acre tract presently owned by Mr. Fairchild.

In a December 1968 report on the Fairchild property, a Department of the Interior ecologist stated that the Fairchild property forms the southern terminus of Dyke Marsh and would, if obtained, place complete custody of Dyke Marsh in the Park Service. He also stated that development of the Fairchild property could be ecologically detrimental to that portion of Dyke Marsh immediately north of it because of (1) the erosion of fill and the other material from the development into the Marsh, (2) the creation of a sufficiently different habitat that would discourage wildlife from using marsh lands adjacent to the Fairchild property, and (3) the added influence of a marina and other human activity that would disturb wildlife (and possibly pollute the water) throughout an area of Dyke Marsh considerably more extensive than is now affected by such activity. According to the report, a marina added to

similar facilities already existing at the north end of the Marsh would disproportionately disrupt the wildlife and migratory birds in the entire Marsh area.

VALUE OF FEDERAL LAND REQUIRED FOR
ACCESS RAMPS FOR VEHICULAR BRIDGES

According to Park Service officials their estimate of \$115,000 for the value of Federal land required for access ramps for the vehicular bridge was based on a value of \$2 a square foot for the land area (about 1.3 acres) which the Park Service considered necessary for bridge abutments and access ramps. According to a Park Service official, the \$2 value was based on the amount paid by the Richmond, Fredericksburg, and Potomac Railroad to the Washington and Old Dominion Railroad in 1968 for access rights to the Parkway via Slaters Lane. Park Service records showed that the amount of land estimated to be required for the access ramps was considered to be minimal and that no one knew exactly how much land would really be required.

Since we could find little information in Park Service records concerning the estimate that 1.3 acres of land would be needed for access ramps, we requested information from the Bureau of Public Roads, Federal Highway Administration, as to the acreage needed for the ramps of the southernmost overpass at National Airport across the Parkway. This particular structure is cited in the exchange agreement as being comparable in style and type to the one Mr. Fairchild is to construct.

The Bureau of Public Roads informed us that the existing structure required about 4½ acres, exclusive of the overpassed roadway, and was designed to accommodate traffic traveling at speeds of approximately 35 m.p.h. The Bureau indicated also that interchange geometry and cost must be determined by traffic and other requirements peculiar to the specific site so that comparison of structures at different sites should be approached with caution.

In commenting on our draft report by letter dated September 17, 1970, the Department indicated that, in its judgment, the acreage required for the three-ramp interchange at the airport would not be comparable to the acreage that would be required in connection with the proposed crossover bridge at Daingerfield Island.

The amount of land that will be required for access ramps to the vehicular bridge cannot be estimated precisely at this time because (1) the building layout and design for the Potomac Center, which would directly affect the number of vehicles to be served, has not been approved by the City of Alexandria; (2) the proposed construction and location of the Northeast Expressway is uncertain; and (3) the design of the bridge has not yet been approved and the design speed for the ramps for access to and egress from the Parkway has not been determined.

BENEFIT TO THE GOVERNMENT FROM
CONSTRUCTION OF VEHICULAR BRIDGE
ACROSS PARKWAY BY MR. FAIRCHILD

The Park Service determined that the value to the public of the vehicular bridge to be constructed across the Parkway by Mr. Fairchild was \$540,000. This determination is a recognition of the value of the bridge to the public as a result of the improved access which the public will have to the recreation facilities on Daingerfield Island. This value represents the estimated construction cost of the bridge as determined by Mr. Fairchild; however, the Park Service believes that the total construction cost of the bridge, including ramps and connections, could be well over \$540,000.

Park Service officials were unable to supply us with any documentation or explanation of the details supporting this value. Moreover, since a precise estimate of the cost of the bridge may not be possible at this time for the reasons previously cited, we did not request any details concerning this estimate from Mr. Fairchild. According to the Chief, Division of Land Acquisition, National Park Service, the developer could not build the bridge without knowing the alignment and elevation of the proposed Northeast Expressway because the horizontal and vertical clearances might be incorrect or inadequate.

The exchange agreement between the Park Service and Mr. Fairchild specifies that:

"For and in consideration of the foregoing deeds, grants, and/or issuances from the United States, Fairchild and the Railroad, their successors,

lessees or assigns, agree at no cost to the United States to provide a center-piered bridge comparable in 'H Loading' style and type to the southernmost bridge leading from the National Airport south to Alexandria, via Mount Vernon Parkway; plus associated ramps and connections necessary for ingress and egress to and from The Potomac Center to the Parkway, including a separate ingress and a separate egress road leading from the West Lane of the Parkway to The Potomac Center plus a separate ingress and a separate egress road leading from the East end of the bridge to the Parkway. The piers and abutments for end piers and center piers shall be constructed in such location on the lands of the United States providing for the most economical span construction costs. The United States may at its expense make such connections as are necessary to utilize said interchange in connection with ingress and egress of the public to the area known as Daingerfield Island. Fairchild and the Railroad their successors, lessees or assigns further agree, at no cost to the Government, to provide for the benefit of the United States temporary alternative access to Daingerfield Island should existing access be interfered with during construction of the aforesaid bridge."

The exchange agreement provides further that all plans for construction of the bridge and related approaches, ramps, and connections be approved by the Park Service, the National Capital Planning Commission, and the Fine Arts Commission.

Since the agreement between the Park Service and Mr. Fairchild provided that the bridge to be constructed by Mr. Fairchild be comparable in style and type to the southernmost bridge leading from the National Airport south to Alexandria via the Parkway, we requested that the Bureau of Public Roads furnish us with data on the cost of constructing the existing structure.

According to the Bureau of Public Road's Regional Engineer, the existing bridge is part of a three-ramp interchange which provides northbound and southbound egress from the airport to the Parkway and ingress to the airport for northbound Parkway traffic. This bridge does not provide for southbound Parkway traffic to move east into the airport. This access is provided by another nearby bridge. According to the Regional Engineer, a contract for \$250,750 for construction of the bridge, excluding design and engineering costs, was awarded in 1963. The bridge was completed in 1965. The Regional Engineer estimated that the 1970 contract cost of this bridge, excluding engineering costs, would be about \$404,000.

The Department, in commenting on our draft report, indicated that on the basis of its analysis of the bridge and related ramps which Mr. Fairchild is obligated to construct, it estimated that the cost of construction would exceed \$800,000 and that, since this greatly exceeded Mr. Fairchild's estimate and the difference was so obviously in favor of the Government, it seemed unnecessary to request a detailed estimate from Mr. Fairchild.

The Department's support for the \$800,000 estimate was a one-page, unsigned, untitled work sheet which Park Service officials informed us contained the details of their estimates of the cost of the Potomac Center overpass. This work sheet cited \$849,000 as the cost of the "ramps-overhead." There was no cost breakdown or analysis supporting the cost estimate nor was there any information showing precisely what the estimate was intended to cover.

Information in a Park Service memorandum dated March 1970 indicated that, while no actual traffic count of vehicles turning into Daingerfield Island had been made, it was estimated that the number of automobiles entering the Island ranged from 4,000 to 8,000 per month, depending upon the season. The same memorandum indicated that the Potomac Center would have parking for about 4,000 vehicles. Thus, in a 20-working day month, a projected minimum of 80,000 cars would enter and leave the Potomac Center, whereas the Park Service estimated that, during the height of the season, 8,000 cars per month would enter and leave Daingerfield Island. We found no indication that any proration of bridge

costs was considered when determining the value that the Government would derive from the bridge to be constructed by Mr. Fairchild.

In a December 1968 Park Service memorandum it was stated that:

"Mr. Fairchild contends that the grade separation structure will cost him \$540,000 and he should be allowed credit against the enhanced valuation of his property for building this structure on the basis that the structure would also serve Daingerfield Island and the needs of the Observatory when, and if, it is constructed."

Since the Department had determined that the value the Government would derive from the bridge in this exchange would be \$540,000, the Department apparently considered the value of the bridge to the public to be identical to Mr. Fairchild's estimate of the cost to construct the bridge. It would appear that, since approximately 90 percent of the traffic using the bridge would be going to and from the Potomac Center development, a proration of the cost of the bridge should have been made when determining the value of the bridge to the Government.

INCREASE IN VALUE OF POTOMAC CENTER SITE

The Park Service's estimate of the extent to which the Potomac Center site will increase in value as a result of direct access to the Parkway is \$1,030,000. This increase was determined on the basis of negotiations between the Park Service and Mr. Fairchild concerning the number of acres at the Potomac Center site which could be developed and the increase in value per acre which would occur at the Center site if direct access to the Parkway were granted by the Park Service.

According to the Director, National Park Service, the estimated increase in value to the Potomac Center was determined by staff appraisers. Park Service officials, however, were unable to furnish us with any appraisals supporting the increase.

The total land area at the Center site is about 42 acres, including 18 acres to be set aside for the proposed Northeast Expressway and one acre to be used for a Washington Metropolitan Area Transit Authority subway station. Consequently, access to the Parkway is being considered for only 23 acres. The Park Service and Mr. Fairchild agreed that 8.5 acres could be built upon as planned without additional access to the Parkway since there already exists some access to the Potomac Center site via a right-of-way from Slaters Lane. The remaining 14.5 acres are considered to be developable only if access to the Parkway is granted by the Park Service.

Initially, Park Service officials were of the opinion that Mr. Fairchild could develop about 7 acres with existing access to the Parkway via Slaters Lane. Mr. Fairchild contended that he had sufficient access to develop about 13 acres. Through negotiation, it was agreed that Mr. Fairchild had sufficient access--via Slaters Lane--to develop 8.5 acres at the Potomac Center site.

The Potomac Center site lies entirely within the City of Alexandria and is zoned for industrial use. Under this zoning virtually any usage, other than for housing or apartments, is permissible. Building height on the site, however, is limited by two different height zones--a 50-to 77-foot limit (Zone I) and a 150-foot limit (Zone II). At the Potomac Center site, the dividing line between the two zones runs

parallel to the Parkway at a distance 500 feet west of the center line of the Parkway, with Zone I being closer to the Parkway. Zone I has a 50-foot height limit; however, with each foot of setback from the Parkway right-of-way, two feet of height may be added up to the maximum of 77 feet.

The Park Service files showed that the estimated increase in value of the 23 acres to be developed at the Potomac Center was determined as follows:

Value of 14.5 acres not developable with existing access will increase by \$1.40 per square foot	\$ 884,268
Less loss to developer from building height restriction in the 50 to 77 foot zone; (6 acres at \$0.35 per square foot)	<u>-91,476</u>
	792,792
Plus enhancement at \$0.65 per square foot of 8.5 acres presently developable	<u>240,669</u>
Total estimated increase in value	<u>\$1,033,461</u>

According to Park Service records, the \$1.40 per-square-foot increase in value to the 14.5 acres not developable with the existing access to the Parkway was determined on the basis of staff appraisal of the value of the Potomac Center site with and without direct access rights to the Parkway. The Park Service contends that the value of the 42-acre Potomac Center site, as it exists with limited access from Slaters Lane, is \$4.10 per square foot (\$178,596 per acre). With direct access to the Parkway, the Park Service indicated that this value would increase to \$5.50 per square foot (\$239,580 per acre). Consequently, according to the Park Service, the gross increase in value to the Potomac Center site, as a result of gaining access to the Parkway, is \$1.40 per square foot or \$60,984 per acre. Park Service officials, however, were unable to furnish us with any appraisal report supporting these values.

In commenting on our draft report, the Department stated that a determination of the value of the Potomac Center site

had been made by the same staff appraiser who had prepared the appraisal of Mr. Fairchild's Dyke Marsh property. Unfortunately, according to the Department, the staff appraiser transferred to another Government agency, and, due to the pressure of other work, he did not reduce his work to a formal appraisal document. We examined a memorandum prepared by the staff appraiser which referred to an attached appraisal of the Potomac Center. Attached to the memorandum was a one-page document signed by the staff appraiser which contained value estimates for three areas, including the Potomac Center and Dyke Marsh. The document contained no explanation or support for any of the values cited.

In discussing this matter with the Chief, Branch of Appraisals, National Park Service, we were informed that the \$5.50 per-square-foot value was based on knowledge of the recent sale of a concrete company near Crystal City on Route 1 in Alexandria, Virginia. According to Park Service records, the selling price of the concrete company property was about \$12.00 per square foot. This value, according to the Chief, Branch of Appraisals, was then reduced to reflect the value of the improvements on the property to make it comparable to the Potomac Center site. No explanation was given as to the basis for the reduction, and no appraisal report was ever prepared to support the validity of this data with respect to establishing the value of the Potomac Center.

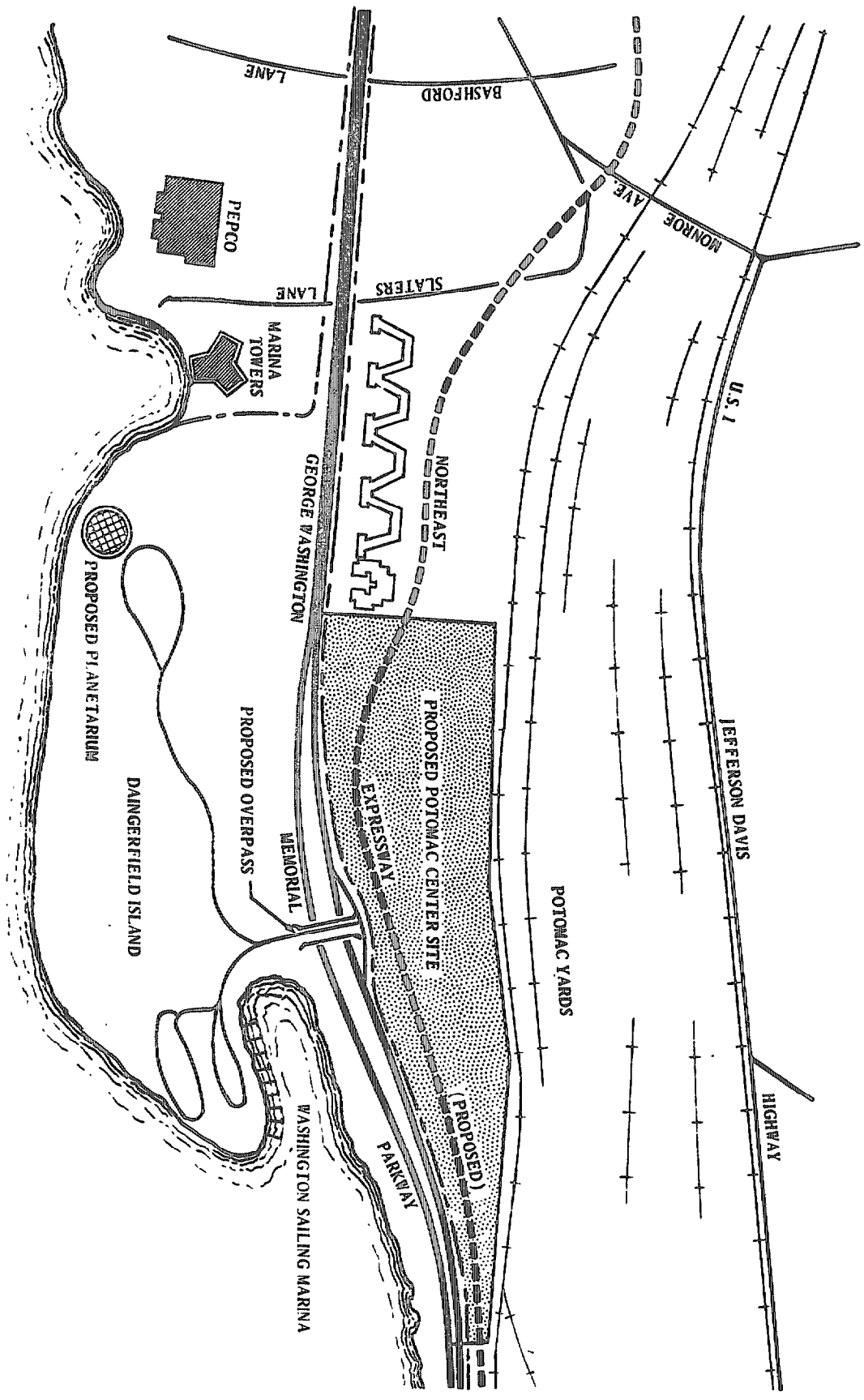
The \$4.10 per-square-foot value, according to Park Service officials, represented the value of the Potomac Center with existing access to the Parkway via Slaters Lane. Again, we were unable to find an appraisal report which supported this value.

The Chief, Branch of Appraisals, was unable to recall how the \$0.35 per-square-foot loss to the developer was computed for 6 acres in the height restriction zone adjacent to the Parkway. According to a February 19, 1970, letter from the Secretary of the Interior to the Chairman, Senate Committee on Interior and Insular Affairs, the \$0.35 figure represents a floor area loss to the developer by reason of the height restriction in the transition zone adjacent to the Parkway. No explanation was given in the letter about how the \$0.35 figure was derived.

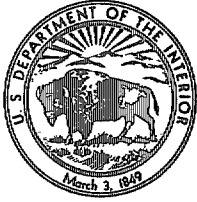
The \$0.65 per-square-foot increase in value to the 8.5 acres of the Potomac Center site, which can presently be developed but which will increase in value as a result of direct access to the Parkway, was, according to the Chief, Branch of Appraisals, arbitrarily determined and was not supported by any documented evidence.

The Department, in commenting on a draft of this report, indicated that field notes from the appraisal of the Potomac Center were available to us for examination. Our examination of these field notes showed that they did not present enough additional detailed information to enable us to assess the reasonableness of the values assigned to the Potomac Center.

PROPOSED POTOMAC CENTER SITE
ALEXANDRIA, VIRGINIA



ALEXANDRIA, VIRGINIA



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

SEP 17 1970

Mr. Allen R. Voss
Associate Director, Civil Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Voss:

We have reviewed the GAO draft report on "The Proposed Exchange Between the Department of the Interior and Mr. Charles Fairchild, National Park Service, Department of the Interior." We are concerned that the report indicates the National Park Service does not have sufficient supporting data for sustaining its actions. Our analysis of the report data indicates the following:

Lines 2, 3 and part of line 4, page 2, and the third full paragraph on page 3 of the proposed letter to the Member of Congress, as well as the first paragraph on page 14 and the last paragraph on page 15 of the proposed report, leave the implication that there was no appraisal of the values in question. This is not the case. A determination was made by the same appraiser who prepared the appraisal for the Government on the Fairchild Dyke Marsh property, and both were reviewed by the Chief Appraiser for the National Park Service. Unfortunately, the staff appraiser transferred to another agency of Government, and, due to the pressure of other work, reduced only one of his appraisals to a formal appraisal document. However, the Chief Appraiser for the Service, who worked with him step by step on the project, has field notes which are available to the GAO representatives.

The second full paragraph, page 3, of the proposed letter to the Member of Congress and the last sentence of the first paragraph on page 11 should be clarified and put in proper context. The inference is that the "value" assigned to the 1.3 acres of Government land to be utilized in the construction of the crossover bridge is "minimal." Such an inference is not correct since the square foot value of the land is based on an appraised estimate of fair market value, taking into account a comparable nearby sale. The word "minimal" should be used, therefore, to modify only the amount of the land or the acreage involved.

The relevance is questioned of including the statement attributable to the Chief, Division of Land Acquisition, that "the developer could not build the bridge" without knowing the alignment of the Northeast Expressway unless the statement is further clarified and put in context. Obviously, there must be coordination with the city and the State as these projects develop. The agreement specifically recognizes, however, that the crossover bridge is to be built before the proposed Northeast Expressway. Consultation during the planning phase of each must take into account mutual design consideration.

The implication of the last paragraph of page 11 and paragraph 2 of page 13 is that the National Park Service allowed a credit of \$540,000 for the proposed crossover bridge without any information to support such an estimate and when, as a matter of fact, the Regional Engineer of the Bureau of Public Roads estimates that the cost of a crossover bridge is less based on its comparability with the bridge and 3-ramp interchange between the Parkway and the Airport. It is true that the \$540,000 estimate was provided us by Mr. Fairchild. Our analysis of the bridge and related ramps which Mr. Fairchild is obligated to construct is in excess of \$800,000 depending on final configuration against which he receives a credit of \$540,000.

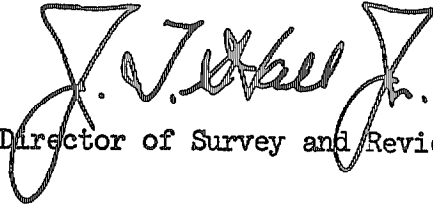
Since the balance was so obviously in favor of the Government, it seemed unnecessary to request detailed estimates of the \$540,000 from Mr. Fairchild. However, it is pertinent to observe that when engineering costs of approximately \$100,000 (which is in the range of the overhead, design, etc., charged us by the Bureau of Public Roads on park roads and parkways) is added to the construction estimate of \$404,000, the Bureau of Public Roads figure actually totals \$504,000 or very close to the Fairchild estimate.

With respect to the last sentence of the second paragraph on page 13, it should be noted that the acreage for the 3-ramp interchange at the Airport is not, in our judgment, comparable to the acreage that will be required in connection with the proposed crossover bridge at Daingerfield Island.

Based on this analysis we suggest the report be modified to clarify these points before being released.

We appreciate the opportunity to have commented on this report in draft.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. V. Hall Jr.", written in black ink.

Director of Survey and Review