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Examination Into The Selection
Of A New Facility Site In
Thousand Oaks, California B-171594

United States Postal Service

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BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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FEB. 17. 1970



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

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Dear Senator Tunney:

In response to your request of June 28, 1971, we have examined into the issues raised by Mr. Alex T. Fiore, a councilman of the city of Thousand Oaks, California, regarding the selection of a site for the city's new main post office facility. In his letter to you, Mr. Fiore stated that the United States Postal Service had selected a site that (1) cost substantially more than an alternate site even though advertised-bid procedures had been followed, (2) was not centrally located, and (3) was in an area whose ZIP code was different from that of the predominance of the city. Mr. Fiore also raised the question of possible improprieties in the site selection because the final price was substantially less than the initial price asked for the selected property. 52

We discussed this matter with Councilman Fiore, Postal Service representatives involved in the transactions, and representatives of the owners of the rejected site. We also reviewed records of the Los Angeles District Office, Real Estate Branch, Facilities Division, U.S. Postal Service, which recommended that the selected site be obtained. The results of our examination are summarized below and are presented in greater detail in this report.

- The advertised-bid procedure was not used to obtain a site for the new postal facility. Rather, several sites were evaluated by the Postal Service and offers to sell in the form of options to purchase land were obtained from the owners of two sites, the 5.69-acre Westlake Village site and the 6-acre Jungleland site. The Westlake Village site finally was selected as the site for the new post office.
- The two sites are located on the same street in the city of Thousand Oaks. The Westlake Village site is approximately 1 mile east of the Jungleland site. July 1971 population data shows a population of about 60,000 for the regional area that

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includes Thousand Oaks, with about 4,300 of that number applicable to that part of Westlake Village lying south of the Ventura Freeway. A Westlake Village representative told us that the Westlake Village population alone was expected to reach about 70,000 in the 1980's. A representative of a local utility company informed us that the estimate was reasonable. No such estimate was available for Thousand Oaks.

- Postal Service representatives informed us that the locating of the proposed main post office at the Westlake Village site, about 3 miles east of the present main post office which will be continued as a postal station, would have no adverse impact on postal operations. The new main post office will provide service to the ZIP code areas now being serviced by the existing main post office.
- In 1970, the Westlake Village site was offered to the Postal Service at a cost of \$570,000 and the Jungleland site was offered at a cost of \$483,516. The Westlake Village offer was for an improved site. The Jungleland offer was for an unimproved site. The Jungleland owners estimated that the price for an improved site would be \$561,924.
- The Postal Service selected the Westlake Village site in 1970 but reconsidered the matter when the Jungleland owners offered to sell their property at \$75,000 less than any price asked for the other site. In March 1971, the Westlake Village site was offered at a cost of \$400,000 and the Jungleland site at \$350,000, both on an improved basis. Thus the asking price in 1971 for each property was significantly lower than the asking price in 1970.
- In connection with the 1970 determination to select the Westlake Village site, the Service obtained an independent appraisal of the Westlake Village site. The appraisal report indicated the site's value to be \$569,000. Postal Service representatives told us that no appraisal had been obtained on the Jungleland site because it

was not Postal Service practice to obtain appraisals on sites considered but not selected.

The Postal Service records indicate that the Westlake Village site was not selected solely on the basis of price but was selected also on the basis that:

1. The Westlake Village site was in a growing new housing development area, whereas Jungleland was in a depressed area.
2. The Postal Service representatives believed that, because of the situation described in item 1 and because of the below-market price of the Westlake Village site, contractors would be very competitive in bidding for the contract to build the postal facility for leasing to the Postal Service.

Postal Service procedures for acquiring a postal facility on the lease-construction basis provide that the Postal Service make known to the prospective bidders the cost to the Government of the site at which the facility is to be built and require the successful bidder to reimburse the Government for this cost.

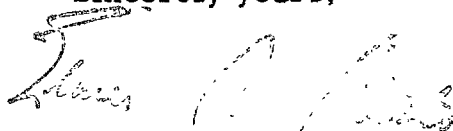
3. The Westlake Village site did not require the extensive land improvement that the Jungleland site required to be prepared for construction.
4. Access to the Westlake Village site was better because it was a corner location, whereas Jungleland was not.

Because it is not possible to reasonably assign costs to the judgmental factors considered by the Postal Service in selecting a site, we cannot express a view concerning the reasonableness or propriety of selecting the Westlake Village site in relation to the \$50,000 savings offered by the lower priced Jungleland site.

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C2+R2 As agreed to by your office, this report is also being furnished to Senator Alan Cranston in response to his request. The Postal Service and the local officials concerned were not asked to formally comment on this report. We plan to make no further distribution unless your approval has been obtained or you have made a public announcement concerning the contents of the report.

Sincerely yours,



Comptroller General
of the United States

The Honorable John V. Tunney
United States Senate

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EXAMINATION INTO THE SELECTION OF

A NEW FACILITY SITE

IN THOUSAND OAKS, CALIFORNIA

U.S. POSTAL SERVICE

BACKGROUND

The Postal Service plans to have a post office constructed in the city of Thousand Oaks, which it will lease from the builder. A Postal Service investigation conducted in 1968 established the need for a new post office facility in Thousand Oaks. After considering four possible locations for the new facility, the Postal Service obtained options to purchase property located in the Westlake Village area of the city and in the area referred to by local inhabitants as Old Town. Each site fronts on Thousand Oaks Boulevard; the Westlake Village site is about 1 mile east of the Old Town site. (See exhibit.) The Old Town site was formerly a wild animal compound and is known locally as the Jungleland site.

The Ventura County Planning Department population data published in July 1971 shows a population of about 60,000 for the regional area that includes Thousand Oaks. About 4,300 of that number is applicable to that part of Westlake Village lying south of the Ventura Freeway. We were informed by county officials that projected estimates of population growth for the city of Thousand Oaks, including Westlake Village, were not available. A representative of Westlake Village Incorporated, however, told us that Westlake Village alone was expected to have a population of about 70,000 in the 1980's. A representative of a local utility company that is familiar with the utility needs of the area informed us that this estimate appeared reasonable.

Thousand Oaks now has its main post office located in the south-central area of the city and a station located in the Old Town area. The existing main post office will become a station when the new main post office is built. This station will sell stamps, postal money orders, and

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stamped envelopes and will provide mailing facilities for letters and packages, general delivery boxes, and ZIP code reference books. Mail sorting and delivery will be transferred to the new main post office. The station now located in Old Town will be closed when the new main post office in Westlake Village, about 3 miles east of the present main post office, becomes operational. At present no postal facilities are located in Westlake Village.

The new main post office will provide service, as does the existing main post office, for three different ZIP code areas. A former Postal Service Real Estate Officer (now with the Corps of Engineers as a result of agreements described below) advised us that the location of the new main post office would not affect either the handling or the delivery of mail.

Under agreements entered into by the former Post Office Department and the Department of the Army, the Post Office Department's construction and facility program was transferred to the Corps of Engineers. The agreements provided for certain postal employees and records to be transferred to the Corps. The Real Estate Officers in the Los Angeles District of the San Francisco Regional Office's Real Estate Branch who had recommended the Westlake Village site were among those employees transferred to the Corps. At the time of our review, the records pertaining to the selection were in the process of being transferred to the Corps.

Actions associated with the selection of the new postal facility site at Thousand Oaks were initiated under the former Post Office Department and completed under the successor Postal Service. For the purpose of this report, however, all Post Office Department actions will be referred to as Postal Service actions.

INITIAL SELECTION OF WESTLAKE VILLAGE SITE

Early in 1970 the Postal Service obtained options to purchase the 5.69-acre Westlake Village site and the 6-acre Jungleground site. In a report dated May 22, 1970, a Postal Service Real Estate Officer recommended that the Westlake Village site be selected. The report stated that the Westlake Village site (1) had distinct advantages over the

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Jungleland site as to cost, location, and access, (2) would be delivered fully graded and ready for construction, (3) was acceptable to the Postmaster, although he preferred the Jungleland site, and (4) was highly recommended and preferred by the Postal Service Officer, the liaison officer for the Deputy Regional Director, Operations.

The report also showed that the option price for the Westlake Village site, fully graded and ready for construction, was \$570,000 and that the Jungleland price for an unimproved site was \$483,516. In a letter to the City Council, dated December 15, 1970, an attorney for the owner of the Jungleland site indicated that the price for the site, fully improved, was \$561,924. In March 1970 the Postal Service obtained an independent appraisal of the Westlake Village site, which indicated that the site had a value of \$569,000. The former Postal Service Real Estate Officers, who had been assigned to locate a site in Thousand Oaks for the new postal facility, told us that it was not Postal Service practice to obtain appraisal reports on sites considered but not selected and that therefore no appraisal had been obtained for the Jungleland site.

After the Postal Service announced the selection of the Westlake Village site, the Thousand Oaks City Council, by resolution dated August 18, 1970, urged the Postmaster General to consider placing the new main post office in a central location in Thousand Oaks. The resolution stated that the Westlake Village site:

"*** does not represent a central geographic location and thus it is not the most advantageous for public convenience, access to transportation routes, costs and operational requirements of the public ***."

In a letter to the Postmaster General dated August 28, 1970, the owner of the Jungleland site offered any 6 acres within his 30 acres having frontage on Thousand Oaks Boulevard, fully compacted and graded, at a cost of \$75,000 less than the cost for any other site for the new main post office. By letter dated September 17, 1970, the Postal Service replied that, in view of the owner's offer and the council's resolution, the Service would review the site selection.

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SECOND SELECTION OF WESTLAKE VILLAGE SITE

The two Real Estate Officers who had reviewed the site selection were assigned to the Los Angeles District Office of the San Francisco Regional Office Real Estate Branch. The officers told us that, on October 14, 1970, they advised representatives of the Westlake Village and Jungleland sites that the Postal Service was reconsidering the matter of selecting the site for the new main post office.

By letters dated February 26, 1971, one of the officers forwarded Option to Purchase Land forms and Performance Bond forms to the representatives of the two sites. Each letter included instructions for completing the option form and requested that the lowest acceptable price for the property be submitted. The letters also stated that the response envelopes would remain sealed until the time and date stated on the envelopes.

One of the officers told us that the interested parties had been urged to submit their lowest possible offers but had been told also that the low offer would not necessarily be the only consideration in selecting the site. We noted that the officer's statement appeared to be supported by a letter to the Thousand Oaks City Council dated December 15, 1970, in which the attorney representing the Jungleland owners stated that:

"Apparently the Department will give strong consideration to selecting the site of the low bidder, although it is not required to do so, and cost is not the controlling factor."

The signed Westlake Village option dated March 17, 1971, was in the amount of \$425,000 and had a provision that the amount would be \$400,000 if the option were exercised no later than May 31, 1971. The option included a provision guaranteeing delivery of a performance bond, in the amount of \$15,000, within 20 days of notice that the site was selected.

The signed Jungleland option, dated March 22, 1971, was in the amount of \$350,000. The option was not supported by a guarantee that a performance bond would be obtained. The

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Real Estate Officers told us that land improvements were needed for the Jungleland tract, including the 6 acres being offered, and that the total cost of the improvements would be about \$255,000. He said that he considered it essential to obtain a guarantee from the Jungleland site owners that a performance bond would be obtained. On April 23, 1971, the Jungleland interests submitted an addendum stating that a performance bond in the penal amount of \$255,000 would be delivered within 20 days after receipt of advice of the selection of the Jungleland site.

One of the Real Estate Officers who had made the second review of the sites recommended, in a report dated April 28, 1971, that the Westlake Village site be selected. The report indicated that the recommendation was being made on the basis that (1) the Westlake Village site was in a successful growing new housing development area, whereas Jungleland was in a depressed area, (2) the location and the significant below-market price of the Westlake Village site would generate more competitive bidding by contractors for building the postal facility which would be leased back to the Postal Service, (3) access to the Westlake Village site was better because it was a corner location, whereas Jungleland was not, (4) extensive site improvement (\$255,000) was needed to improve the Jungleland site before construction of a postal facility could begin, and (5) possible untimely completion by the owner might cause delays in getting the facility construction completed.

By letter dated May 28, 1971, the Acting Chief of the Real Estate Branch, Facilities Division, San Francisco Regional Office, notified the owners of the Westlake Village site that their site had been selected at the \$400,000 price.

In a letter to the Postmaster General, dated June 11, 1971, the City Manager of Thousand Oaks, on behalf of the City Council, inquired into the rationale of the Postal Service in awarding the contract to the high bidder and in selecting a location which was not as centralized as the Jungleland site. He said that the City Council had gone on record as favoring the more centralized site in Thousand Oaks and one which had the ZIP code of most of the city.

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The Washington headquarters' Director of Community Programs, by letter dated July 21, 1971, informed the City Manager that the option-to-purchase procedure, not the advertised-bid procedure, had been employed in selecting the site for the Thousand Oaks postal facility. He said that, for the following reasons, the Westlake Village site had been selected: (1) the Westlake Village site did not require the extensive land improvement that the Jungleland site required to be prepared for construction, (2) regional postal officials understood that Jungleland's owner was unable to obtain bonding arrangements for site preparation, (3) the Westlake Village site was better from a mail-processing standpoint because it was more centrally situated, (4) residents of Westlake Village would be able to obtain services from a facility at this location without the establishment of another facility in the area, and (5) residents of Thousand Oaks would continue to transact postal business at a station located in the present main post office.

The results of our examination do not support reasons 2 and 3. We found that the report of the Real Estate Officer who had recommended the Westlake Village site the second time showed that:

"The development [of Jungleland] is in question. Both on-site and off-site work is required. The major problem is the elimination of a natural drainage channel, which cuts diagonally through the property. This obstacle along with the varied topography of the site will cost approximately \$255,000 in on-site and off-site work. The owner will provide a bond, guaranteeing the work ***. If the owner cannot complete work, legal entanglements of obtaining rights of entry, easements, rights of way, and the ultimate responsibility of ownership and maintenance of off-site improvements casts doubts as to the completion of the work by the bonding company."

We found also that other data showed that there were no differences between the sites from a postal operational point of view and that each site had been given operational approval but that the Westlake Village site had been given preference.

In a letter to the Postmaster General dated July 2, 1971, an attorney representing the Jungleland interests indicated his intent to make a claim against the Postal Service on the basis of Postal Service officials' having made misrepresentations to his clients. By letter dated October 6, 1971, the Assistant General Counsel, Contracts and Property Division, advised the attorney that it was the opinion of the Postal Service General Counsel that the Jungleland interests had no enforceable claim.

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ISSUES RAISED BY COUNCILMAN FIORE

In identical letters dated June 24, 1971, addressed to Senators Alan Cranston and John V. Tunney, Mr. Alex T. Fiore, a member of the Thousand Oaks City Council, raised the following issues concerning the selection of a site for the new postal facility in Thousand Oaks.

1. The site was selected under advertised-bid procedure but previously had been selected in the absence of such procedure.
2. The selected site cost more than the alternate site.
3. The selected site was not as centrally located as the alternate site.
4. The selected site had a ZIP code different from that of the predominance of Thousand Oaks.

In his letters the councilman also raised the question of possible improprieties in the selection process because of the substantial difference between the initial and final prices asked for the selected properties.

Advertised-bid procedures used in selection

The selection of the site was not made as a result of using advertised-bid procedures. The Postal Service obtained options to purchase the Westlake Village site and the Jungleground site. After the Postal Service decision to reconsider the initial selection of the Westlake Village site, the owners of the two sites were asked to submit their options in sealed envelopes which were to be opened on the date specified on the envelopes. Each party was apparently aware that the site selected would not necessarily be the one offered at the lower price.

The Postal Service Real Estate Officers assigned to the second review of the two sites informed us that the practice of having options submitted on a sealed-envelope

basis was not common but that it was used when the two parties were very competitive, as in the subject case.

Selected site cost more than alternate site

As stated by Councilman Fiore, the Westlake Village site's price of \$400,000 was \$50,000 more than the Jungleland price of \$350,000. The record shows, however, that the Westlake Village site does not require the extensive land improvement work that the Jungleland site requires to be prepared for construction. Further, in selecting the Westlake Village site over the Jungleland site, the Postal Service Real Estate Officer considered the possibility that the work required on the Jungleland property could involve problems which might prohibit completion of the work or seriously delay delivery of the site to the Postal Service.

Because it is not possible to reasonably assign a dollar value to the judgmental factors considered by the Postal Service in selecting the Westlake Village site, we cannot express a view concerning the reasonableness in selecting the Westlake Village site in relation to the \$50,000 savings offered by the lower priced Jungleland site.

Westlake Village site not centrally located

As indicated by Councilman Fiore, the Jungleland site was in Old Town and, geographically, was more centrally located than the Westlake Village site. The two sites, however, are on the same thoroughfare--Thousand Oaks Boulevard--and the Westlake Village site is about 1 mile east of the Jungleland site. Further the Westlake Village site is closer to the concentrated population center of the southeast end of the city, where presently there are no postal facilities.

Selected site has ZIP code different from that of most of the city

The new facility, when located at the Westlake Village site, will provide service to the same ZIP code areas that

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the present main post office now serves. Although the Westlake Village area has a ZIP code number different from that of the Old Town area, postal operations will not be hampered by locating the new postal facility at the Westlake Village site.

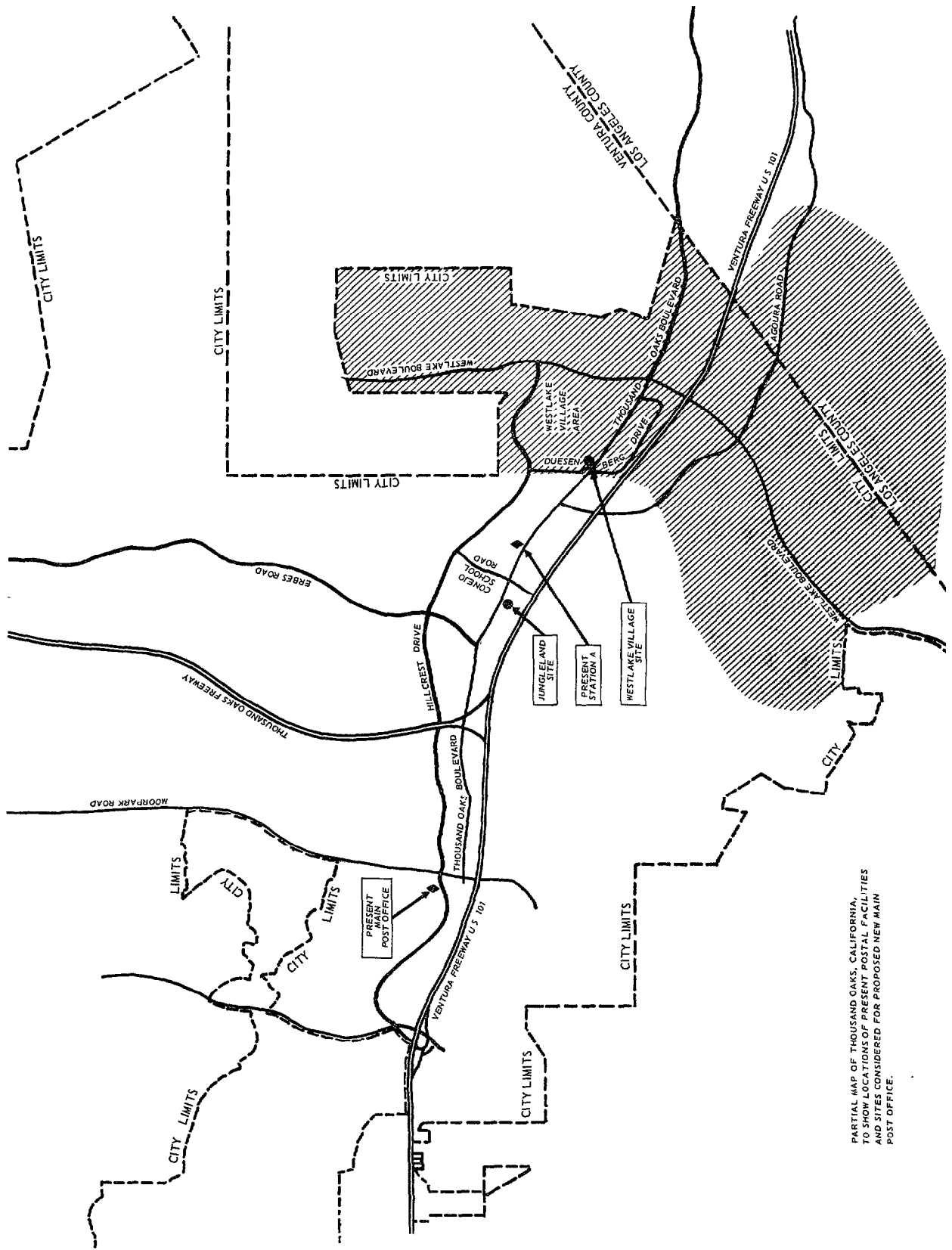
Difference in prices, initial and final, asked for selected site

When the Westlake Village site was initially selected, the price was \$570,000. After the Postal Service advised the owners that the matter was being reconsidered and requested that a new price be submitted, the Westlake Village interests offered the property at \$400,000, or \$170,000 less than the earlier offered price. Under the initial consideration, however, the Jungleland site was offered at \$483,516 on an unimproved basis, or \$561,924 on an improved basis, and subsequently offered at \$350,000 on an improved basis. Jungleland's second offer was \$211,924 below its initial offer. Thus, under the second consideration, the asking price for each site was significantly lower than the asking price under the initial consideration of sites.

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Councilman Fiore told us in a discussion on July 29, 1971, that he supported the Jungleland site as the location for the new postal facility because that site was in a run-down area and because putting the new facility there would help urban renewal efforts. He also said that he thought that, on the basis of its predicted growth, the Westlake Village area south of the freeway would have its own post office within 5 or 10 years.

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PARTIAL MAP OF THOUSAND OAKS, CALIFORNIA,
TO SHOW LOCATIONS OF PRESENT POSTAL FACILITIES
AND SITES CONSIDERED FOR PROPOSED NEW MAIN
POST OFFICE.

