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

RELEASED

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B-198841

The Honorable Ernest F. Hollings
Chairman, Subcommittee on State,
  Justice, Commerce, the Judiciary,
  and Related Agencies
Senate Committee on Appropriations

Dear Mr. Chairman:

Subject: Information on Housing the Securities and Exchange Commission at Multiple Locations in the Washington, D.C., Area (FGMSD-80-59)

Your March 5, 1980, letter raised several questions about the Securities and Exchange Commission's current utilization of office space. (See encl. I.) Specifically, you asked us to determine

--current leasing costs for Commission office space and the terms of these leases,

--the number of professional staff members working in the Commission's Washington, D.C., area buildings who share an office,

--the extent of travel between the Commission's Washington, D.C., area office buildings and the reason for such travel, and

--how often records are transferred out of storage.

Your letter was prompted by the Commission's request to the Congress for independent leasing authority to consolidate its four Washington area locations. The Commission believes a single consolidated location will reduce costs and permit the public to be better served. The Commission asked for $950,000 in its fiscal 1981 budget to begin consolidation efforts.

The following provides (1) information on laws concerning the Government's leasing activities, (2) issues raised by your office, and (3) matters for the Subcommittee's consideration.

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BACKGROUND

The Federal Property and Administrative Services Act of 1949 requires that leased office space be obtained through the General Services Administration (GSA). The act was passed to centralize responsibility for executive branch housekeeping functions, such as storage of records and property management. To insure that central direction over real property management was obtained, the Congress, in 1950, withdrew authority given to Federal agencies to lease general purpose real property.

The Congress has placed limitations on GSA's leasing authority. The Public Buildings Act of 1959 (40 U.S.C. 601, as amended), requires that a GSA request for space (prospectus) be approved by the congressional Committees on Public Works. This approval is required for construction of a public building estimated to cost over $500,000 and the leasing of a building with an annual rent in excess of $500,000. The Economy Act (40 U.S.C. 278a) also limits GSA's authority to lease buildings. This act limits annual rent to 15 percent of the appraised value of the building at the time the lease is awarded. In addition, the Congress places annual budget limits on GSA funds for leased space.

Commission activities in the Washington, D.C., area are carried out at four locations. Three buildings, located within 1-1/2 miles of each other in Washington, D.C., are used for the Commission headquarters. The main headquarters building is at 500 North Capitol Street; other headquarters offices are at 1100 L Street, NW., and at 320 First Street, NW. The fourth building is in Arlington, Virginia, and houses the Commission's Washington Regional Office. In addition, the Commission has two Washington, D.C., area storage sites for office equipment and supplies.

The Commission gave us information on current leases, shared office space, travel between the Commission's Washington offices, and records storage. We analyzed and summarized the information and made tests, within the time permitted, to determine its accuracy. We also surveyed the extent and reasons for travel between buildings and the number of records employees requested from storage. Further, we met with officials of the General Services Administration to discuss the availability of space in Washington, D.C., which could be used to consolidate Commission activities.

WHAT ARE THE CURRENT LEASING COSTS FOR COMMISSION OFFICE SPACE AND WHAT ARE THE TERMS OF THESE LEASES?

The Commission will pay GSA $2.4 million in rent for its four office buildings during fiscal 1980. This includes the standard level users charge which GSA assesses Government agencies for office space. Leases for the North Capitol Street and Arlington, Virginia, offices expire in April 1981. The lease for the L Street office has recently been renewed through May 1990 and the First Street building is owned by the Government.

Enclosure II provides information on leasing provisions and other data for each office building.

HOW MANY PROFESSIONAL STAFF MEMBERS WORKING IN THE COMMISSION'S WASHINGTON, D.C., BUILDINGS SHARE AN OFFICE?

Of 880 professional staff members assigned to the Commission's Washington, D.C., area offices, 328--or 37 percent--share an office. The professionals sharing offices have an average grade of GS-12 with the majority assigned to the main headquarters building on North Capitol Street. None of the professionals at the Commission's Washington Regional Office share offices.

GSA publishes standards governing the assignment of office space. These standards are based on employee grade levels to insure that each employee has sufficient space to work efficiently. Enclosure III summarizes the GSA space standards, which range from 75 to 225 square feet for grades GS-7 to GS-15. For example, a GS-12 in a nonsupervisory position is allowed 100 square feet of space. GSA does not allow a private office unless the need is demonstrated.

At the main headquarters building, 278 of 644 professionals--or 43 percent--share offices. (See encl. IV.) These professionals, who have an average grade of GS-12, share offices that have 150 to 200 square feet indicating that some of these offices may be below the GSA space standard. At the L Street building, 16 of 92 professionals--or 17 percent--share offices. (See encl. V.) These 16 professionals, who have an average grade of GS-11, share offices that have from 185 to 380 square feet indicating some of these may be below, while some may be above the GSA space standard.

Thirty-two percent of the professionals at the First Street building share an office. These 34 of 107 professional staff members are all assigned to the Division of Corporation Finance. They have an average grade of GS-12 and share offices of about 275 square feet each. The 37 professionals assigned to the Washington Regional Office have offices averaging 135 square feet each.

WHAT IS THE EXTENT OF TRAVEL BETWEEN THE COMMISSION'S WASHINGTON, D.C., OFFICE BUILDINGS AND WHAT ARE THE REASONS FOR SUCH TRAVEL?

Because records were not available, we could not fully determine the extent of travel between the Commission's Washington, D.C., office buildings. The primary means of travel between the Commission's three headquarters buildings is a shuttle service which runs every 30 minutes. Each day the shuttle's 16 trips carry an average of five passengers--many of whom are returning to their point of origin. The 1980 cost for this shuttle service is estimated to be $20,000. Commission officials said that few employees regularly travel between the Washington Regional Office and the headquarters buildings.

Enclosure VI shows the location of the various Commission organizations and the number of employees assigned to each office building. About 1,000 of the Commission's 1,436 employees in the Washington, D.C., area work at North Capitol Street.

We reviewed shuttle records for March 1980 and found that 91 percent of the passengers were traveling between the North Capitol and the L Street offices, which are about 1-1/2 miles apart. During that same period, 6 percent of the riders traveled between the North Capitol and the First Street offices, while 3 percent of the riders traveled between the First and the L Street offices. According to Commission officials, employees generally walk between the North Capitol and the First Street offices since these offices are only about four blocks apart. As previously stated, we were unable to determine how often employees walked.

The Commission did not have information indicating why travel was necessary between the three headquarters office locations. Therefore, we surveyed shuttle use on April 14 through 18, 1980. During this period, 371 passengers used the shuttle. Excluding 135 passengers who used the shuttle to return to their point of origin, 151 traveled to another building to attend meetings and conduct other business. Enclosure VII shows the results of our survey, which Commission officials believe reflect normal usage.

Four of the Commission's organizations--Office of Reports and Information Services, Directorate of Economic and Policy Analysis, Division of Corporation Finance, and Office of Administrative Services--are divided among the three headquarters buildings. During our test period, we found that about 62 percent of the shuttle passengers were assigned to these four units and were generally meeting with personnel from their organizations located in another building.

The Commission's Washington Regional Office is not serviced by the passenger shuttle. During our test period, six regional office employees traveled to the headquarters building at North Capitol Street for meetings and other Commission business.

HOW OFTEN ARE RECORDS TRANSFERRED OUT OF STORAGE FOR USE BY COMMISSION EMPLOYEES?

Data was not available which readily showed the total number of records transferred out of storage for use by the employees in the Washington, D.C., area offices in carrying out regulatory activities. To estimate that number, we conducted a survey between April 16 and 18, 1980, and found that on the average 59 employees requested 272 files each day.

The Commission's Office of Reports and Information Services has primary responsibility for controlling access to Commission records, which are stored at the L Street building. Records are stored for about 3 years and then transferred to GSA's Federal Records Center at Suitland, Maryland, before disposal. We limited our work to records stored at L Street because, even if the Commission's activities were consolidated in one building, files would still be sent to the Federal Records Center.

Of the 272 records requested each day during our April 16-18 survey

--56 percent were requested by personnel working at North Capitol Street,

--32 percent were requested by employees assigned to the First Street building, and

--about 12 percent were requested by employees at the other two Washington, D.C., area offices.

We interviewed 24 Commission employees, including 16 attorneys, who requested records during our survey but who were not working at the L Street building. Twenty-one of the employees--or about 87 percent--said they received the requested records within 3 days and were satisfied with this response time. The records requested by the remaining three employees were already on loan or had to be obtained from the Federal Records Center. Commission personnel told us that it generally takes 7 days to obtain files stored at the Center.

The Commission has taken steps to improve access to certain records and reduce storage space. Most business reports submitted to the Commission since February 1979 have been put on microfiche, which is a photographic film containing reduced images of the reports. Of the 272 records which Commission staff requested each day during our survey, 212 were on microfiche. Microfiche records are easier to transfer from storage because the entire report can usually be reduced to a 3 x 5-inch piece of film. Further, use of microfiche records has reduced storage space and allowed for the expansion of the Commission's public reference area.

IS OFFICE SPACE CURRENTLY AVAILABLE TO PERMIT THE COMMISSION TO CONSOLIDATE ITS WASHINGTON, D.C., ACTIVITIES IN ONE BUILDING?

Based on information available at the time of our review, neither the Commission nor GSA will likely be able to find suitable space in an existing building to allow the Commission to be consolidated at one location.

In March 1974, the Commission requested space from GSA to consolidate its operations into one or two closely located buildings. As required by the Public Buildings Act of 1959, GSA obtained approval of a prospectus in October 1974 to acquire space for the Commission in Washington, D.C., through a 5-year lease at an annual rental of $2.8 million. In June 1975, GSA leased a building, then under construction, in southeast Washington at Buzzard's Point which would have provided for full consolidation of the Commission. However, the Commission considered the location to be unacceptable and therefore would not move in.

In September 1979, the Commission submitted another consolidation request to GSA for a location containing 310,000 square feet. GSA supports this request and considers it a high priority but said that its ability to meet Federal agencies' space requests for consolidation is adversely affected because the supply of office space in the Washington area has not kept pace with the demand. As a result, relatively few agencies have been consolidated in one building.

In November 1979, GSA told the Commission that it was developing a request for a one-million-square-foot building to consolidate, by 1983, the Washington area offices of the Commission and two other Federal agencies. On January 9, 1980, the Commission asked GSA if it could move the date up to 1981. Four weeks later, GSA responded that the original 1983 goal was realistic. GSA told the Commission that if a building does become available earlier and a prospectus has been approved by the Congress, GSA will move up the target date.

GSA officials could not estimate when the prospectus would be submitted for congressional approval. As of May 1, 1980, the prospectus was being processed by the GSA regional office. GSA headquarters and Office of Management and Budget approvals are needed before the prospectus can be submitted to the Congress.

The Commission hired a consultant in April 1980 to perform a cost analysis of alternatives for obtaining a building. The consultant developed cost projections for a number of alternatives, which are shown in enclosure VIII.

The consultant advised the Commission that ownership of a building, rather than leasing, appeared to be economically advantageous, especially in the Washington, D.C., area, where office space is in short supply and leasing rates are escalating rapidly. However, the consultant believed that constructing a new building would require an outlay of about $60 million during the construction period, and that the building would probably not be ready before 1984. The consultant said that purchase or lease of an existing building is not a realistic alternative because it is highly unlikely that a suitable building is available to consolidate Commission activities.

It appears that leasing a building either under construction or planned could provide a consolidated building in the shortest time. A Commission official provided us with the names of three buildings under construction or planned that were available for lease. Real estate agents for these buildings said they would be interested in leasing space to the Commission, with occupancy projected for 1981. However, two of the buildings were only in the planning stage, while the third was under construction.

MATTERS FOR CONSIDERATION
BY THE SUBCOMMITTEE

The Commission has requested its own independent leasing authority because it believes that GSA has made limited progress toward obtaining a building which will permit the Commission to consolidate its activities at one location. As we previously reported (LCD-78-303, Jan. 9, 1978), GSA's performance in acquiring space for Federal agencies, including the Commission, could be improved. It could be more responsive to agency requests and complaints, although some problems are beyond GSA's control, such as compliance with budget or other limitations on leasing.

In our previous report on the Social Security Administration's request for independent leasing authority, we concluded that granting such authority may not be consistent with the primary goal of the 1949 act to centralize property management activities of the Government (LCD-78-313, Feb. 7, 1978). We have similar reservations about the Commission's request. The Commission may be more responsive than GSA to its program requirements, but some problems now faced by GSA--such as the lack of suitable space in existing buildings or the Economy Act rental limitation--are beyond the Commission's control. Also, granting the Commission independent leasing authority may be an incentive to other agencies to request such authority.

Legislation is now pending before the Congress that would revise the way GSA conducts its public buildings program (Senate Bill 2080). One of the goals of this legislation, which we supported in January 1980 testimony before the Congress, is to eliminate the projects in which the Government pledges to lease, usually on a long term basis, a building to be constructed by a private concern. The pending legislation is designed to provide a more viable Federal construction program and thereby reduce the Government's reliance on leased space. Granting the Commission independent authority to lease a building to centralize its operations may not be consistent with the current congressional efforts to reduce the amount of leased space. Construction of a Government-owned building, however, to house the Commission would be consistent with this legislation.

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As requested by your office, we did not obtain written agency comments on the matters discussed in this report. We did, however, discuss the report with Commission officials and, where appropriate, their comments were considered. Further, as discussed with your office, the report will not be distributed for 30 days unless you publicly comment on its contents earlier. At that time, we will send copies to interested parties and make copies available to others who request them.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

Enclosures

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

March 5, 1980

Honorable Elmer B. Staats
Comptroller General of the
United States
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Elmer:

The Securities and Exchange Commission has asked this Subcommittee for independent leasing authority in order to consolidate the activities of its four Washington area offices.

In order to have an adequate framework for assessing the need for a consolidated building, it would be helpful if your auditors at the Commission obtained information concerning the Commission's current utilization of space. Specifically, we are interested in: current leasing costs and the terms of such leases; the number of professionals sharing the same office; the extent of travel between the four locations and the reason for such travel; and how often records are transferred out of storage locations. We would also welcome any additional observations which should be brought to the Subcommittee's attention.

It will not be necessary for you to obtain written comments from the Commission on your findings. If you have any questions, please contact Warren Kane on 224-7244.

With kindest personal regards.

Sincerely yours,

Fritz

Ernest F. Hollings, Chairman
State, Justice, Commerce, the
Judiciary and Related Agencies
Subcommittee

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SECURITIES AND EXCHANGE COMMISSION OFFICE BUILDINGS IN THE WASHINGTON, D.C., AREA

500 NORTH CAPITOL STREET

The Commission moved into this building in June 1966 and is the sole occupant. The building contains 170,000 square feet of space and is leased by GSA from a private firm. The current 5-year lease, which expires April 20, 1981, does not contain a renewal option.

In fiscal 1980, GSA will charge the Commission $1.5 million as rent for this building. This is $400,000 more than the $1.1 million GSA will pay the building owner under the current lease. The difference results because GSA assesses the Commission and other Government agencies a standard level users charge as required by law so that rents approximate commercial charges for comparable space and services. The funds obtained from the users charge are deposited in the Federal Buildings Fund and made available for all Government building operations, such as the cost of utilities and cleaning and security personnel, which are not included in the lease agreement. The standard level users charge is based on GSA appraisals conducted every 3 years while the rent paid building owners may have been set by a long-term lease. In times of rising prices, the GSA charge increases while the rental in the lease may remain the same.

1100 L STREET

This building, which is leased by GSA, also houses four other Federal agencies. The lease for the building is for 10 years ending May 31, 1980, and was renewed in February 1980, for another 10 years. The Commission moved into this building in May 1972 and uses 71,000 square feet.

In fiscal 1980, GSA will charge the Commission $463,000 for rent and will pay the building owner an estimated $284,000. As previously stated, this difference results from use of the standard level users charge to compute the Commission's rental rate.

320 FIRST STREET

In January 1978, the Commission obtained 32,000 square feet of office space at 320 First Street. This building, which is owned by the Government and managed by GSA, also houses two other Federal agencies. In fiscal 1980, the Commission will pay $297,000 as the standard level users charge.

4015 WILSON BOULEVARD

The Commission's Washington Regional Office is located at 4015 Wilson Boulevard, Arlington, Virginia--about 6 miles from the Commission's main headquarters building on North Capitol Street. This building, which is leased by GSA, also houses two other Federal agencies. The lease for this building is for 10 years ending April 1981. The regional office moved into this building in May 1971 and uses 13,000 square feet of space.

In fiscal 1980, the Commission will pay GSA $114,000 for use of this space which will cost GSA about $76,000. Again, the difference is due to the use of the standard level users charge.

GENERAL SERVICES ADMINISTRATION

WORK SPACE ALLOWANCES

Grade	Type of assignment	Office space (square feet)
GS 7 to 11	Nonsupervisory	75
GS 7 to 11	Supervisory	100
GS 12 to 13	Nonsupervisory	100
GS 12 to 13	Supervisory	150
GS 14 to 15	Nonsupervisory	150
GS 14 to 15	Supervisory	225

ENCLOSURE IV

NUMBER OF COMMISSION PROFESSIONALS

SHARING OFFICES AT 500 NORTH CAPITOL STREET

Unit	No. of professionals In unit	Sharing offices	Percentage of professionals sharing offices
Office of the Comptroller	7	7	100
Office of the Secretary	10	8	80
Office of Administrative Services	6	4	67
Office of Data Processing	44	29	66
Office of the General Counsel	59	29	49
Division of Investment Management	80	38	48
Office of Personnel	19	9	47
Division of Enforcement	160	72	45
Division of Market Regulation	106	46	43
Office of the Chief Accountant	19	8	42
Office of the Executive Director	11	4	36
Division of Corporation Finance	89	23	26
Office of Public Affairs	4	1	25
Office of Opinions and Review	7	-	-
Executive Staff	17	-	-
Directorate of Economic and Policy Analysis	6	-	-
Total	644	278	43

NUMBER OF COMMISSION PROFESSIONALS

SHARING OFFICES AT 1100 L STREET

Unit	No. of professionals In unit	Sharing offices	Percentage of professionals sharing offices
Office of Administrative Services	11	4	36
Office of Consumer Affairs	6	2	33
Division of Corporate Regulation	23	6	26
Office of Reports and Information Services	16	2	13
Directorate of Economic and Policy Analysis	27	2	7
Administrative Law Judges	9	-	-
Total	92	16	17

ENCLOSURE VI

LOCATION OF COMMISSION PERSONNEL IN THE WASHINGTON, D.C., AREA

Unit	500 North Capitol St.	1100 L Street	320 First Street	Washington Regional Office
Executive Staff	30	-	-	-
Office of the Secretary	24	-	-	-
Administrative Law Judges	-	11	-	-
Office of Opinions and Review	10	-	-	-
Office of the Chief Accountant	33	-	-	-
Directorate of Economic and Policy Analysis	9	53	-	-
Office of the Executive Director	13	-	-	-
Office of the General Counsel	95	-	-	-
Office of Public Affairs	8	-	-	-
Office of Consumer Affairs	-	16	-	-
Division of Corporation Finance	110	-	130	-
Division of Enforcement	213	-	-	-
Division of Market Regulation	146	-	-	-
Division of Corporate Regulation	-	29	-	-
Division of Investment Management	107	-	-	-
Office of the Comptroller	29	-	-	-
Office of Personnel	31	-	-	-
Office of Data Processing	57	-	-	-
Office of Reports and Information Services	41	129	1	-
Office of Administrative Services	43	15	-	-
Washington Regional Office	-	-	-	53
Total	999	253	131	53

REASONS WHY COMMISSION EMPLOYEES

USED SHUTTLE DURING APRIL 14-18, 1980

Reason	Percentage of trips
Conduct business and attend meetings	60
Personal activities, including transacting business at the Commission's Credit Union, meeting friends for lunch, and meeting a carpool	13
Pickup or deliver material	12
Conduct research	6
Work with the data processing staff	4
Attend a training course	3
Review documents	2

ALTERNATIVES DEVELOPED BY COMMISSION CONSULTANT FOR CONSOLIDATING WASHINGTON, D.C., AREA OFFICES

Alternatives	Present value costs projected over 30 years (note a) (millions)
Lease newly constructed building	$168
Lease building already being used	$142
Continue leasing at multiple locations	b/ $132
Construct Government building	c/ $126
Buy existing building	d/ $124

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a/ To project costs, the consultant assumed a 30-year period beginning in 1984. All construction costs and operating penses are based on projected 1984 dollar values.

b/ Does not include the economic impact of having the Commission's activities carried out at multiple locations in the Washington, D.C., area. According to the Commission consultant, the value of this impact, which includes reduced productivity and increased personnel turnover, is estimated to be $130 million over the 30-year period.

c/ Does not include unguaranteed residual value of $52 million.

d/ Does not include unguaranteed residual value of $36 million.