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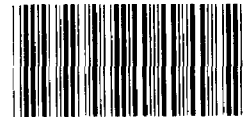
BY THE U.S. GENERAL ACCOUNTING OFFICE

# Report To The Mayor Of The District Of Columbia

## The District Of Columbia Should Assess Its Needs Before It Makes Major Acquisitions Of Space

The District of Columbia government leases about 2.8 million square feet of property and owns more than 30 million square feet of space, but it lacks an adequate space management system and complete information on underused space. Without an improved system and adequate information, the District cannot know how much space it needs.

The District is taking steps to improve its space management by devising a new reporting system and conducting a citywide building survey that should identify underused space. Except in special cases, the District should complete these efforts before it commits itself to acquiring any major new properties.



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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION

B-204826

The Honorable Marion S. Barry, Jr.  
Mayor of the District of Columbia  
Washington, D.C. 20004

Dear Mayor Barry:

As part of our study of building management and leasing in the District of Columbia, we found that the District should improve its management of leased and owned space. Overall, as of March 1981 the District leased about 2.8 million square feet of property, including about 1.3 million square feet of office space. Also, it owned space, not including housing units, containing about 30 million square feet. Annual leasing costs for offices and other space are about \$15 million. Despite these large amounts, the District does not have an adequate space management system or complete information on the amount of its space that is underused. Without an improved system and adequate information, the District cannot know how many square feet of space it needs. The District is taking steps to improve its space management by devising a new reporting system and conducting a citywide building survey that should identify underused space. We applaud these efforts and recommend that, except in special cases, they be completed before the District commits itself to acquiring any major new properties.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our overall study of building management and leasing in the District of Columbia had three objectives. One objective was to analyze the adequacy of the District's leasing procedures, and a second was to examine the District's attempts to use school buildings as alternatives to leased space. Because of the many changes in leasing and building management which are taking place in the District, we have decided not to do the detailed analysis required to achieve these two objectives at this time.

The third objective of our study was to address how well the District manages its owned and leased space. The bulk of this report deals with this objective.

Our analysis of the District's leasing procedures, which we limited because of the changes noted above, included examining the lease and space utilization files for each of the 24 leases

that the District had either signed or renewed to be effective in fiscal year 1981. In addition, we interviewed District employees involved in the leasing process in the Department of General Services and other agencies.

Our study of the District's progress in converting schools to offices, which we also limited because of the changes noted above, included reviewing analyses and descriptions of schools that might be suitable for conversion to other uses. In addition, we reviewed Board of Education proceedings and correspondence with city officials detailing the negotiations for certain schools. Finally, we discussed the negotiations with officials of the Department of General Services, the Superintendent of Schools, and the Board of Education.

In an attempt to identify how District leased and owned space was being used and how the District determined what additional space it needed, we used several methods. We interviewed District employees knowledgeable about and involved with space management in the District's Department of General Services and other agencies. We also analyzed reports prepared by District officials and outside consultants and studied various other District documents relating to space management. We did not survey District owned and leased buildings ourselves because of the specialized expertise and the time that would have been required and because the District was planning a comprehensive space survey. We were told in November 1981 that the survey was underway.

This audit was made in accordance with GAO's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

#### DOCUMENTATION OF THE LEASING PROCESS

Although the Department of General Services could not provide us with documentation showing the extent of its past review of District agency space requests, we were told that such reviews are a part of the District's evolving space management effort, which we will describe later. None of the 24 fiscal year 1981 lease or space utilization files we reviewed contained documentation showing that the Department reviewed agency space requests to validate the requested square footage requirements and the cited number of employees. However, on the basis of what District officials told us about their ongoing space management effort, information gained from reviewing space requests will be documented and used as a basis for future leasing decisions.

Complete documentation detailing the District's leasing practices was also unavailable. For instance, only 4 of the 24 files contained enough documentation on the conduct of lease negotiations to allow us to determine what terms were considered

during the negotiating process. In addition, we could find no record that there were detailed leasing procedures for District employees to follow. The District's leasing process could benefit from leasing records which describe the negotiations that took place and from leasing procedures which are thoroughly documented.

PLAN TO CONVERT SCHOOL BUILDINGS  
TO OFFICE SPACE IS STARTING TO BE REALIZED

A Department of General Services plan to convert schools to office space is starting to be realized. To reduce the city's leasing costs, the Department in 1980 began identifying school buildings that District agencies occupying leased space could use as offices. In May 1981 the then Department Director asked that the Board of Education transfer to the Department four schools to be renovated for office use. The following month the City Council devised a plan for the Board to receive reprogrammed funds if it could agree with the Mayor (through the Department) on the use of school space to replace leased space. For 6 months, however, the two parties could not agree on acceptable space or the terms under which it would be made available. Finally, in December 1981, they agreed on the conversion of one school.

Despite the prolonged negotiations that have so far produced only one school for conversion, officials involved in this conversion agreement are optimistic that future ones are also possible. They cite the Board's need for revenue and the precedent that has now been set as reasons for their optimism.

Future conversion agreements could be facilitated by a survey identifying available school space which agencies could use. Recognizing the need for such a survey, the Board's Committee on Facilities asked the school administration to prepare one. A school official told us in January 1982 that a survey had begun and that he expected it to be completed by April 1982.

THE DISTRICT NEEDS AN ADEQUATE  
SPACE MANAGEMENT SYSTEM

A District contractor and District officials have noted major problems with the way the city manages its space. Various studies of District space have been done, but the District still needs better space utilization information. Without an effective space management system, the District cannot make maximum use of buildings or ensure that satisfactory space is not already available before buying or leasing additional facilities.

Recognizing its weaknesses, the District awarded a contract beginning in June 1981 to study one department's space needs and to begin establishing a model for a space utilization and management program. The contractor's report, issued on July 29, 1981, cited several areas where improvement was needed.

These included

- the need for an overall space management system to alert the District to available and soon-to-be available space;
- the need for clearly stated space management policies and objectives;
- the need for a program to periodically evaluate and verify space information;
- the need for an annual District report summarizing the degree to which District owned and leased space is utilized; and
- the need for a ~~space~~ planning process.

Officials at different levels throughout the District government have confirmed that the District needs these improvements. The officials include many within the Department of General Services, the District organization responsible for space management.

Although the District has had many studies which raised questions about substantial underused space, none has been accurate and recent enough to give the District the complete space utilization information it needs. One of the studies, a space utilization survey done under District auspices in mid-1980, was characterized to us as unreliable by District officials because it was performed by improperly trained individuals. Another study, conducted in mid-1981 by the contractor mentioned above, was limited to one District department and was under a 6-week time constraint, creating serious problems in data collection and analysis. According to a 1979 study done for the Temporary Commission on Financial Oversight of the District of Columbia, District storage areas were, on the average, only 61 percent utilized. The Department of General Services, which regulates the District's supply management, does not know current comparable utilization figures for District warehouses. Furthermore, the Department has made no overall studies to determine what underused space may have resulted from the District's employment decline.

#### THE DISTRICT IS MAKING EFFORTS TO IMPROVE

To address needs like the ones cited by the District contractor in its July 29, 1981, report, the District has begun improving its space management. In September 1981, the Department of General Services formed a task force to help develop a space management reporting system. Among other things, the task force will identify any improvements needed in current space management data. We were told that the task force has already

designed a computerized space management system and various forms to collect space management data. We were also told that planned space utilization reports will include information on the number and types of employees in any particular building. Analyses of this information and the identification of any under-used space will help the District assess requests for any new major space acquisitions.

The Acting Director of the Department of General Services informed us in November 1981 that the Department is conducting a space utilization survey, the first since the discredited survey in mid-1980. Such surveys will be done annually. The Acting Director also told us the Department is hiring additional space management staff and designating space liaisons at each District government building.

The District's evolving space management system could benefit from including another feature: a comprehensive space plan that is based on square footage needs. Both the 1981 District contractor's report and a report in 1972 by the Commission on the Organization of the Government of the District of Columbia cited the need for space planning.

In addition to improving its space management system, the Department of General Services has a multifaceted plan to reduce its reliance on leased facilities and its recurring lease expenses. Components of this plan include constructing a new municipal office building, acquiring two Potomac Buildings now being leased, renovating vacant school buildings into office space, consolidating activities into underused properties, and introducing legislation in the Council to clarify the Mayor's jurisdiction and control over District buildings and grounds. Between 1977 and March 1981, the District's leased space declined from about 3.4 million square feet to about 2.8 million.

THE DISTRICT SHOULD AVOID SPACE ACQUISITIONS  
UNTIL IT DETERMINES ITS NEEDS

Without having an adequate space management system completely in place or knowing how much underused space it has citywide, the District cannot accurately determine its space needs or the advisability of buying and building to replace leased space. Nevertheless, the Department of General Services in the past few years has tried to acquire several large buildings--the new municipal office building and the two Potomac Buildings--to reduce its reliance on leased space. Since these attempts have been beset with obstacles, the District still has the opportunity to complete its space utilization survey and determine its space needs before it acquires new buildings.

In its fiscal year 1978 budget request, the District asked for \$35 million to acquire a site and construct a new municipal office building. It justified the request by citing rapidly escalating leasing costs, the increasingly heavy drain on the District's resources with no increase in equity, and the scattered location of the District's administrative offices. The new building was to allow the District to terminate its leases for the Presidential and Potomac Buildings. At that time these buildings leased for about \$3 million annually and contained about 500,000 square feet of office space.

The District's intentions regarding these leases have changed, however. After the Congress authorized the municipal office building in the fiscal year 1978 budget and appropriated over \$4 million specifically for site acquisition, the District notified the owner of the Presidential Building that it would be vacating the premises at the end of 1981. However, because of problems in acquiring the site, the new building has not been built. In November 1979 the District retracted its intention to vacate the Presidential Building. It now contends that it does not have to leave the premises and is staying, we are told, despite objections from the building's owner. In addition, instead of initiating action to terminate the Potomac lease as proposed in the 1978 budget, the District has explored options to buy the buildings.

The District recently lost an attempt to acquire the original municipal office building site and is looking for another location for the building. The building had already been designed for the original site, and the Department of General Services' Assistant Director for Programing, Management, and Budget told us that construction on a different site would require a reprograming of funds involving congressional and District Council approval. We were informed that having a reprograming request approved generally takes about 90 days. The Mayor's proposed fiscal year 1983-1988 capital improvements program lists a municipal office building of 310,000 net square feet to be built at another location.

Since the District has been delayed in its attempts to construct a new building, it should have time to reassess the amount of square footage it plans to acquire. We were told that the 500,000 square feet determination for the 1978 building justification was based on the District's need for office space, the size of the building that could fit on the proposed site, and the amount the District could afford to pay. The building's projected 415,000 square feet of usable space was intended to be filled by agencies that earlier had been occupying 477,000 square feet. The space reduction from 477,000 to 415,000 square feet would be possible because the District could finally overcome its difficulties in reassigning or eliminating space vacated



by agencies gradually reducing their staffing levels. Because employment has been further reduced and the District does not know the amount of its underused space, it does not know exactly what agency space needs are or how large a new building should be. A 500,000 square foot building might not be large enough; on the other hand, it might be too large, considering that the Department of General Services would also like to buy the Potomac Buildings and convert school buildings to office space. In any case, changes have occurred since the municipal office building was planned several years ago.

Similar concerns exist about the Potomac Buildings. How much underused space is in these leased buildings now? How much of the space needs of other agencies can be accommodated there? Could other leased space be vacated? Because a \$16 million Department of General Services budget request for fiscal year 1983 to buy the Potomac Buildings was turned down by the District's development policy group, the Department is exploring other avenues for acquisition.

Until the District knows the extent of its underused space and total space needs, we believe it should declare a moratorium on significantly expanding its leased or owned space. The Acting Director of General Services told us that such a moratorium would be unwise, at least as far as the municipal office building is concerned. He said the District has already spent a great deal of resources justifying the need for the building and the original justifications still apply today. He added that further delaying the building would increase construction costs by about \$250,000 per month and would postpone any reduction in leasing costs. Because the District has not yet been able to acquire the site for the building and because a District official said it cannot locate on another site without congressional and District Council approval, we believe the moratorium should apply to both the municipal office building and other properties the District might wish to acquire to expand its leased or owned space.

Our recommendation for a moratorium should not impede the District's efforts to find space in District school buildings that can be cost effectively converted to office space. Even if the District has some underused space, we have seen no indication that the 1.3 million square feet of office space it now leases could be placed into currently owned nonschool facilities. Consequently, the District should continue to pursue the feasibility of using the school buildings as alternatives to leased space.

### CONCLUSIONS

The District is in the process of collecting better space management data, conducting periodic space utilization surveys, and assigning additional people to space management duties. These efforts should give the District necessary data on the amount, type, and location of its underused space. Because no acceptable, comprehensive space utilization information has existed, the District cannot know how much space it must acquire to achieve its goal of eliminating most leased facilities.

So far, the Department of General Services has tried unsuccessfully to acquire certain specific buildings for the District. Whether the Department will be successful is as yet unclear. Before going forward with its acquisitions, the District should know what size buildings would best suit its needs. The new space management system, comprehensive space utilization survey, and analysis of the survey's results should show how much space is now underused and how much additional space is needed. Until these are completed, the District should not acquire major new properties. In addition, space utilization information should be an integral part of these and any future property justifications and decisions.

### RECOMMENDATION TO THE MAYOR

We recommend that the Mayor of the District of Columbia declare a moratorium on the acquisition of significant new leased or owned office, warehouse, and storage space until the District implements its space management reporting system, completes its comprehensive space utilization survey, and analyzes the survey results. The moratorium should be waived only if the District can demonstrate that delaying a particular acquisition would cause severe financial harm.

### AGENCY COMMENTS AND OUR EVALUATION

The District opposes our recommendation, and it criticizes our methodology as being limited. It sees no evidence that we independently found enough underutilized office space to make a moratorium desirable or that we could support a conclusion that the District is uninformed about present space utilization. According to the District, its current space management effort is designed to make its space planning capacity more flexible. Accordingly, the District's effort includes a contractor's survey, to be finished in June 1982, of the utilization patterns of all facilities. It believes this effort should have no bearing on the major acquisition issues now pending.

While we did not survey District owned and leased space, partly because the District was planning a comprehensive space survey of its own, we believe the information we obtained was sufficient to tell us that the District does not fully know the extent of its space use. A District contractor concluded and District officials confirmed to us that the District needed to periodically evaluate and verify space data and develop an annual report summarizing the degree of space use. The contractor's survey now being conducted is the District's first overall space utilization study since the one discredited in mid-1980. (See p. 4.) Thus, although we do not know the total amount of under-used space the District may have, neither does the District. The importance of having current, accurate space utilization information is illustrated by the ongoing types of changes the District noted in its comments--significant reductions in the government work force, the availability of surplus schools, the creation of new commissions and agencies, and the plan to streamline government by consolidating the management of diverse functions.

The District opposes the moratorium recommendation because it believes, from a financial point of view, that it must buy or build facilities and reduce its leased space. It now leases office space at an annual rate of about \$11 million and expects the rate for this space to increase by about \$1.5 million each year for the next 3 to 5 years. The District asserts that acquiring owned space is unquestionably cost-effective, totally absorbing leased offices into currently owned space or surplus schools cannot be done, and the need for new, owned space is great.

These latter arguments are not germane to our point that the District should know its space needs before it acquires new space. Although the District must determine for itself when new acquisitions are financially imperative, it must also bear in mind the dangers of obtaining space without fully knowing its overall space needs. Any building acquired in the near future might be larger than the District needs, depending on the District's future office space decisions; on the other hand, it might be smaller than the District needs to reduce its reliance on leased space as soon as possible. Building acquisitions should fit into an overall framework of what the city's space needs are, and a logical way of accomplishing this is to determine the space needs first.

Obviously, in the short term, any early acquisition of owned facilities would reduce the District's need for leased space. However, this does not necessarily mean that any acquisition would be the right one to accommodate the District's long-term space needs.

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Section 736(b) of the District of Columbia Self-Government and Governmental Reorganization Act (Public Law 93-198, 87 Stat. 774), approved December 24, 1973, requires the Mayor, within 90 days after receiving our audit report, to state in writing to the District Council what has been done to comply with our recommendations and to send a copy of the statement to the Congress. Section 442(a) (5) of the same act also requires the Mayor to report, in the District of Columbia's annual budget request to the Congress, on the status of efforts to comply with such recommendations.

We are sending copies of this report to interested congressional committees and to the Council of the District of Columbia.

We wish to thank your staff for its cooperation during our review.

Sincerely yours,



William J. Anderson  
Director

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DEPARTMENT OF GENERAL SERVICES

OFFICE OF THE DIRECTOR

613 G STREET, N. W.  
WASHINGTON, D. C. 20001

JAN 19 1982

Mr. William J. Anderson  
Director  
U.S. General Accounting Office  
General Government Division  
Washington, D.C. 20548

Dear Mr. Anderson:

The Mayor has referred to me your draft report of December 20, 1981, entitled "The District of Columbia Should Not Make Major Commitments on Buildings Until It Knows Its Space Needs".

The recommendation of this report is that the Mayor should declare a moratorium on the acquisition of significant new leased or owned office, warehouse, and storage space until the District implements its new space management reporting system, completes its comprehensive space utilization survey, and analyzes the survey results.

We do not agree with this recommendation, nor do we find in the report any evidence to support it.

The methodology of this report apparently was to review two internal documents, one produced by a six-week consultant to a single agency, and to have conversations with unnamed officials. There is no evidence in the report that the General Accounting Office performed any independent audit review of its own to support a conclusion that there is sufficient under-utilized office space now available to the District to make such a moratorium desirable. Nor is there any evidence to support the conclusion that the District Government is uninformed about present space utilization.

As the report points out, the Department of General Services is now in the process of installing a more up-to-date automated system for monitoring space utilization. We agree that the increasing rate of change in demand for government office space requires a more immediately responsive tracking mechanism than was true in previous years. Significant reductions in the government work force, the availability of surplus schools due to the decline in enrollments, the creation of several new commissions and agencies, and the Barry Administration's plan to consolidate the management of diverse functions to streamline government process, all require flexible and responsive space planning capacity.

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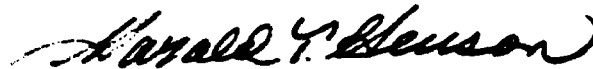
We are, therefore, putting in place a revised space management system, which includes three components: (1) a new inventory of all owned and leased space, which was completed in November 1981; (2) a thorough survey by a contractor of the utilization pattern of all facilities, which will be completed in June 1982; and (3) the ongoing management of the Space Utilization Monitoring System to assure maintenance of current data.

The fact that the District is in the process of improving its detailed space management capacity, however, should have no bearing on the major acquisition issues now pending. It is imperative from a financial point of view that the District reduce its leased space by purchasing or constructing owned space.

We presently lease 1,378,600 square feet, at an annual rate of \$11,009,640. Given the present leasing market trend, we expect an annual increase of approximately \$1.5 million for the same space during the next three to five years. Ninety-five percent (95%) of our leases will have to be renewed within that period.

There is no question that the acquisition of owned space will be more cost-effective for the District. Nor is there any question that offices now in leased spaces cannot be absorbed into presently owned spaces or even into surplus schools, as your own report confirms. Were the amount of leased space smaller, and the need for owned space marginal, then perhaps your recommendation would be appropriate. Given the pressing and large need, however, there is no justification for a moratorium. We, therefore, strongly oppose the recommendation.

Sincerely,



Harold T. Henson  
Acting Director of General Services

(426640)

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