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

PROCUREMENT, LOGISTICS, AND READINESS DIVISION

APRIL 1, 1981

B-202437

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The Honorable Martin Frost
House of Representatives

Dear Mr. Frost:

Subject: Proposed Relocation of the NRC ~~Nuclear Regulatory Commission~~ Region IV Office from Arlington, Texas, to Fort Worth, Texas (PLRD-81-13)

In response to your August 25, 1980, request, we reviewed the proposed relocation of the Nuclear Regulatory Commission (NRC) Region IV office from Arlington, Texas, to Fort Worth, Texas. We specifically reviewed, as requested, the cost analysis of the proposed relocation of NRC's regional office to the historic Texas and Pacific (T&P) Building in Fort Worth.

The General Services Administration (GSA) has now decided not to relocate the NRC Region IV office from its present commercially leased space in Arlington, Texas, to the historic T&P Building in Fort Worth. This decision was made because NRC anticipated having more personnel in its Region IV office than the T&P Building space could accommodate. However, GSA has stated it still anticipates moving NRC's Region IV office to some location in Fort Worth.

GSA selected the NRC office for relocation because the lease was expiring. The NRC regional office space in Arlington is currently being occupied under a supplemental lease agreement which GSA negotiated following the lessor's termination of the lease. The agreement will expire in 1983, with termination rights after June 1981.

We only reviewed the cost-benefit analysis prepared by GSA on the proposed relocation of NRC to the T&P Building. In making our review, we evaluated GSA's Fort Worth regional office's records supporting the cost analysis and interviewed GSA and NRC regional officials, as well as the lessors of the buildings who were directly involved in the proposed relocation. We discussed the matters contained in this report with officials of GSA and NRC regional offices in Texas and headquarters officials in Washington, D.C., and they did not object to any of the information. The results of our review are summarized on the following page.

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GSA did not base its decision to move the NRC regional office to Fort Worth solely on cost effectiveness. Its rationale and criteria for relocating the NRC regional office were based primarily on complying with (1) an Executive Order which 12072, which concerns the President's urban policy and the location of Federal facilities in urban areas and (2) the Public Buildings Cooperative Use Act of 1976, (Public Law 94-541) which concerns the use of space in historic buildings.

Although GSA analyzed the cost benefits of the relocation in February 1980, GSA had little documentation to support this analysis. Additionally, the analysis did not include all relevant costs associated with the proposed relocation, such as the costs to duplicate special alterations at the T&P Building and the costs to relocate employees that NRC says it would have paid. The results of our review of the February 1980 cost-benefit analysis prepared by GSA's Fort Worth regional office are discussed in enclosure I. In general, the documentation supporting the cost analysis was so sparse that we were unable to determine the cost effectiveness of the initially proposed relocation without our developing the needed cost data. Since the initial cost study is no longer valid, your office agreed that we should not go beyond reviewing GSA's available cost information.

As you requested, we did not obtain formal written GSA or NRC comments on this report. However, we did discuss the matters covered in this report with GSA regional officials who agreed that the figures used in the February 1980 analysis were not well supported and that the analysis should have included space alteration costs and employee relocation costs if these are in fact paid by NRC. They stated they would consider including the additional relocation costs, where they felt appropriate, when they prepare a new cost-benefit analysis relative to relocation of the NRC Region IV office.

We are sending copies of this report to the Administrator of General Services and the Chairman of the Nuclear Regulatory Commission. Copies will also be available to other parties upon request.

Sincerely yours,

Donald J. Horan

Donald J. Horan
Director

Enclosure

GSA'S FEBRUARY 1980 COST-BENEFIT ANALYSIS NOT WELL DOCUMENTED AND ALL PERTINENT COSTS NOT INCLUDED

GSA's February 1980 cost-benefit analysis showed that the costs of relocating NRC's Region IV office to the historic T&P Building in Fort Worth, Texas (1) were less than the costs of keeping the office at its present location in Arlington, Texas, and (2) did not exceed by 15 percent the costs of relocating the office to other locations outside the central business area of Fort Worth. Under established GSA procedures, GSA prepares a cost-benefit analysis for planned relocations to central business areas to compare the cost of the current location to the cost of locating the activity into the central business area or to other possible locations. If the cost of a central business area location will be 15 percent higher than the present location or another location outside the central business area, additional study and justification for the move are required. GSA has not established a cost limit that would prohibit a central business area move.

The requirement for GSA to make cost analyses for proposed relocations to central business areas resulted from a recommendation in our earlier report (LCD-80-26, Dec. 6, 1979). We believe cost is an appropriate consideration in deciding where agencies are to be located. However, cost analyses will only be useful if they are accurate and complete and are well supported by reliable data.

THE ROLE OF THE COST ANALYSIS

As a result of an amendment to the Federal Property Management Regulations (FPMR) on May 27, 1980, GSA is required to make cost-benefit analyses for relocations to cities' central business areas. The revised FPMR provides that, in meeting space needs in urban areas, GSA decisions to relocate activities into the central business area must also consider an analysis of the comparative costs in relationship to the anticipated benefits of the proposed relocation(s). A cost-benefit analysis is to be made to determine if further study is to be accomplished to identify intangible benefits to the Government and the urban area involved by relocating activities into the central business area. The FPMR identifies some of the benefits to be considered in the study.

The FPMR provides for comparison of the annual per-square-foot costs of relocating into the central business area to the per-square-foot costs of those alternative locations outside the central business area. If the cost-benefit analysis shows that locating the activity into the central business area will cost 15 percent more than locating it outside the central business area, then GSA must show that intangible benefits to the Government by locating the activity in the central business area outweigh the extra costs. If the cost of locating the activity into the central business area does not exceed by a margin of 15 percent the cost of those alternative locations outside the central area, relocation shall be accomplished without further study.

The FPMR does not prohibit GSA from locating an agency into a city's central business area if the cost-benefit analysis shows that such a move would exceed the cost of alternative locations outside the central business area. The FPMR also does not establish limits on cost that may be incurred. This decision is judgmental.

FIGURES USED NOT WELL DOCUMENTED

The GSA February 1980 cost-benefit analysis on the proposed relocation of NRC's Region IV contained the estimated rental costs for NRC space requirements of 20,945 square feet at (1) the present leased location, (2) other comparable space outside the city's central business area, and (3) space in the central business area of Fort Worth in the historic T&P Building, as follows:

Present leased location	$230,395
Comparable space outside the central business area	218,875
Space in the T&P Building	221,598

GSA then adjusted the estimated rental costs by adding moving costs where applicable and a 15-percent factor to make the cost comparisons, as discussed previously. The results of these adjustments were as follow.

Present leased location (15 percent added)	$264,945
Comparable space outside the central business area (moving costs and 15 percent added) (see note)	257,144
Space in the T&P Building (moving costs added) (note a)	226,326

a/ The total moving costs were estimated at $23,641.70, which GSA amortized over 5 years for an annual cost of $4,728.34.

GSA's Fort Worth regional office prepared the February 1980 cost-benefit analysis after the lessor terminated the lease. On the basis of our review of the regional office files and our discussions with GSA regional officials responsible for the analysis, we determined that only limited written documentation was available to support the figures used in the cost-benefit analysis, with some figures totally lacking documented support. This lack of adequate documentation precluded us from properly assessing the accuracy of the figures used.

Specifically, GSA had no supporting documentation for the annual rental estimate at the T&P Building and the major portion of the moving costs. GSA regional officials told us that the rental estimate was obtained orally from an owner of the T&P Building. We were also told that the estimate was based on the open office concept for space similar to other space GSA was leasing at the T&P Building and the estimate would have been higher based on the actual layout for NRC space which it later received. The estimate was for usable space prepared to GSA specifications. The moving costs were comprised of costs to move furniture and to move and install a telephone and a voice communication system.

We were told that the furniture moving costs were estimated at $0.50 per square foot based on past experience and that telephone moving costs were believed to have been obtained from the telephone company. GSA had no documentation to support these costs. We found that GSA had contracts with furniture movers, but charges were based on weight and time rates and not on a rate per square foot. GSA was unable to show us how it arrived at the telephone moving costs.

In addition, the space requirement of 20,945 square feet GSA used to estimate costs was not supported, and estimated annual rental costs for the present location and comparable space were therefore questionable. The present leased location cost was estimated at $230,395, which was 20,945 square feet at a rate of $11 per square foot. GSA regional officials could not adequately explain how they arrived at the cost. GSA regional officials told us it was based on appraisals and on figures obtained orally from the lessor. We found that a December 1979 GSA appraisal of the NRC space estimated the rental at $190,267 for 17,298 square feet. GSA revised this appraisal on March 3, 1980, to 19,533 square feet at $224,630. GSA regional officials told us that the rental cost for comparable space outside the central business area location was estimated at $218,875, using $10.45 per square foot. GSA regional officials stated that the $10.45 per square foot was a composite of costs of comparable spaces based on a December 1979 staff appraisal. We found that this composite was questionable because adjusted and unadjusted rental values were used simultaneously in the calculation of the composite. GSA regional officials agreed that only one figure should have been used for each comparable location, which would have resulted in a different composite figure.

GSA regional officials agreed that the figures used were not well documented; however, they emphasized that they were only estimates. In addition, GSA used total amounts in its cost-benefit analysis and not per-square-foot costs, as required by the FPMR. Since the cost-benefit analysis is no longer valid, and GSA plans to make a new cost-benefit analysis on the relocation of NRC's Region IV office to a new location in Fort Worth, we did not attempt to develop the cost data needed to allow us to correct the February 1980 analysis.

PERTINENT COSTS NOT INCLUDED

The February 1980 cost-benefit analysis did not include some costs associated with the proposed NRC regional office relocation which GSA's guidelines state should have been included. These costs were for (1) duplicating special-type alterations for NRC laboratory and automatic data processing space at a location other than the present leased location and (2) reimbursing eligible NRC employees for relocation under the Federal Travel Regulations. To be eligible for reimbursement of residential relocation costs, an employee's commuting distance (from residence to official duty station) must increase by at least 10 miles. Also, the agency, in this case NRC, must approve payment of employee relocation expenses.

The Fort Worth GSA Regional Administrator and Assistant Regional Administrator for the Public Buildings Service said they did not believe that NRC employees should be allowed relocation costs. They feel it is unrealistic to pay for relocating of employees when their office is moved only about 15 miles. The GSA regional officials said that NRC would decide whether to pay for employee relocations.

GSA regional officials agreed that the cost analysis should have included space alteration costs and employee relocation costs (if employees are actually paid these costs). The officials said they would include these costs when they prepare a new cost analysis for the relocation of the NRC Region IV office. At the time of our review, GSA had not estimated how much these costs would be.

THE GSA REGIONAL POSITION ON RELOCATION AND COSTS

The GSA Fort Worth Regional Administator has stated that if that the costs of relocating NRC into the Fort Worth central business area are more than 15 percent higher than the costs of alternative locations outside the central area, GSA will still propose the move based on other factors, such as socioeconomic values, use of historic buildings, and redevelopment of the distressed city.

According to GSA regional officials, decisions on intangible benefits to be gained by locating an agency into the central business area of a distressed city are judgmental. More specifically, they mentioned that, if the February 1980 cost-benefit analysis had shown that relocating NRC's Region IV office to the historic T&P Building would cost 15 percent more than relocating the office to a location outside the central business area, they would still have recommended the move to the T&P Building, citing the intangible benefits to be gained. They maintained that the occupancy of an historic building was the overriding intangible benefit in this particular case.

The degree of emphasis intangible benefits receive in decisions to relocate to central business areas is subject to GSA's discretion. GSA regional officials said they use the FPMR to decide what intangible benefits should be considered in relocations. They noted that the cost analysis keeps the relocation policy from being absolute and ludicrous. If GSA considers the costs of locating an agency in a particular location to be too high, it may decide on a less costly alternative location, despite the intangible benefits to be gained. However, GSA has no written guidelines establishing absolute limits on costs that may be incurred; again this decision is judgmental.